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Austria	10 P.M.	Vienna	10:00 A.M.
Bahamas	10:30 P.M.	Nassau	1:30 P.M.
Belgium	10:00 P.M.	Brussels	1:00 P.M.
Bulgaria	10:30 P.M.	Sofia	1:30 P.M.
Canada	1:30 A.M.	Toronto	2:00 P.M.
Cyprus	1:30 A.M.	Nicosia	2:00 P.M.
Egypt	10 P.M.	Cairo	1:00 P.M.
Finland	1:30 P.M.	Helsinki	2:00 P.M.
France	1:30 P.M.	Paris	2:00 P.M.
Germany	2:30 P.M.	Bonn	3:00 P.M.
Greece	1:30 P.M.	Athens	2:00 P.M.
Iraq	10 P.M.	Baghdad	1:00 P.M.
Ireland	11:30 P.M.	Dublin	1:30 P.M.
Italy	1:30 P.M.	Rome	2:00 P.M.
Japan	2:30 P.M.	Tokyo	3:00 P.M.
Korea	1:30 P.M.	Seoul	2:00 P.M.
Lithuania	10 P.M.	Vilnius	1:00 P.M.
Malta	1:30 P.M.	Valletta	2:00 P.M.
Morocco	1:30 P.M.	Rabat	2:00 P.M.
Portugal	1:30 P.M.	Lisbon	2:00 P.M.
Spain	1:30 P.M.	Madrid	2:00 P.M.
Sweden	1:30 P.M.	Stockholm	2:00 P.M.
Switzerland	1:30 P.M.	Zurich	2:00 P.M.
United Kingdom	1:30 P.M.	London	2:00 P.M.
U.S.	1:30 P.M.	New York	2:00 P.M.

Anderson Leaves India

Gas Leak Deaths Climb; Company Offers \$1 Million

Compiled by Our Staff From Dispatches

NEW DELHI — The chairman of the Union Carbide Corp., Warren M. Anderson, who was freed on bail after his arrest in connection with a gas leak from a company plant in central India that left about 2,500 people dead, left the country Sunday by private plane.

Hospital spokesman in the city of Bhopal, where the plant is situated, said that they had treated 125,000 victims of gas poisoning since the accident on Monday. The death toll was placed unofficially at 2,500.

Following Mr. Anderson's departure, Union Carbide announced that nearly \$1 million in aid would be made available for victims of the accident. The company also said it was setting up an orphanage in the city.

Lawyers from the United States, meanwhile, have begun arriving in Bhopal to gather evidence for lawsuits that are expected to demand billions of dollars in compensation for victims of the leak.

Melvin Belli, the San Francisco trial lawyer, was scheduled to arrive in New Delhi early Monday to gather evidence for a \$15-billion lawsuit that has been filed in the United States against Union Carbide.

The suit was filed Friday in Charleston, West Virginia. It contends that the chemical company was negligent in the design and operation of the Bhopal plant.

Filed in U.S. District Court on behalf of two families in Bhopal, the suit asks that the case be named a class action on behalf of all the victims.

The lawsuit cited poor design of the plant's storage facility and said that Union Carbide had failed to install a computerized early-warning system as has been in place at a similar facility in the United States.

It also contends that the company failed to warn citizens who lived near the plant of the dangers of the gas. Union Carbide, according to the suit, has offered compensation to the victims that is "woefully inadequate" by any standard" and that it was done "without informing the victims of their various rights to compensation."

Union Carbide, in announcing its aid plan, said Sunday that "the management sincerely hopes that with the efforts the company is making and shall continue to make, together with the mutual cooperation and understanding of everyone concerned, the suffering

(Continued on Page 2, Col. 7)



United Press International
President Ferdinand E. Marcos of the Philippines raised his shirt at a cabinet meeting Saturday to counter widespread rumors that he had had major abdominal surgery.

Marcos Bares His Torso To End Rumors of Illness

The Associated Press

MANILA — President Ferdinand E. Marcos, seeking to squelch rumors that he underwent major surgery, bared his chest at a cabinet meeting Saturday and said any official who doubted his good health should resign, according to official sources.

"If there is any member of the cabinet, who does not believe we can maintain our dominance over the situation, I think the earlier they get out the better," the official Philippine News Agency quoted Mr. Marcos as telling the gathering in his study at Malacanang Palace.

It was the first cabinet meeting that Mr. Marcos has called since he dropped out of public view on Nov. 14, triggering rumors that he was seriously ill, had undergone major surgery, or was dying. The palace repeatedly denied the rumors.

The news agency said that Mr. Marcos' statement telling doubtless cabinet members to resign was a reaction to a recent New York Times report quoting the labor minister, Blas F. Ople, as saying that Mr. Marcos' health was undergoing "certain vicissitudes" and

that while he was in control he "cannot take major initiatives at this time."

Mr. Ople was absent from the 90-minute meeting and could not be reached for comment. Palace sources said he was abroad, possibly in the United States.

An presidential palace news release later said that Mr. Marcos had sent Mr. Ople a letter telling him to "desist from issuing any more world-shocking statements that do not jibe with the truth" and to cut his trip short.

Five hours after the meeting, also attended by Mr. Marcos' top military commanders, the government's television station broadcast film of the session, showing a laughing Mr. Marcos raising his shirt to reveal a scarless torso.

He then asked his appointments secretary, Mariano Ruiz, who underwent that kind of operation four years ago, to unbutton his shirt and show his scarred chest.

"Go ahead, go ahead, show it," Mr. Marcos said, and Mr. Ruiz obliged, to more laughter.

"If he's well, that's good for him," said Abraham Sarmiento, a high-ranking leader of the opposition Nationalist Alliance for Justice, Freedom and Democracy. "It would be like us Christian to wish him ill health."

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Richard G. Lugar
and leading foreign policy experts from the academic and business worlds.

Mr. Lugar seemed particularly eager to minimize the conflicts between the administration and Congress, which have been evident in the last several years over such foreign policy issues as arms control and Central America, and to seek a consensus between Republicans and Democrats wherever possible.

Mr. Lugar said that he hoped the hearings would cover all aspects of foreign policy.

"It seemed to me this would serve several purposes," he said. "We have an administration starting anew. We have some new opportunities apparent in our relationship with the Soviets."

"We are clearly at various juncture points in Central America and the Middle East, with our trade policies," Mr. Lugar added, "and it is a sort of a good time to tie these things together to see whether there

2 Activists Are Freed In Poland

Treason Counts Are Dropped for Lack of Evidence

United Press International

WARSAW — Polish authorities have freed two Solidarity leaders who had been imprisoned for six months and dropped treason charges against them for lack of evidence.

The two men were released Saturday. One, Bogdan Lis, vowed that on his return to his home in Gdansk he would continue to work with the underground union organization he helped to found after the imposition of martial law in December 1981.

"I am planning to operate and have contacts with illegal underground Solidarity leadership," Mr. Lis said at his apartment in Gdansk, where he was greeted by the founder of Solidarity, Lech Wałęsa.

"We are stronger by two union officials now," Mr. Wałęsa said of the release of Mr. Lis and Piotr Mierzejewski from Warsaw's Rakowiecki jail, where they had been held since June on charges of treason.

The two union leaders were driven home in separate vehicles Saturday, hours after the state television announced that they would be freed under an amnesty for political prisoners set up in July.

It was not confirmed, the television report said, that their crime was a treasonable offense.

The release of Mr. Lis and Mr. Mierzejewski was seen as a gesture aimed at persuading the United States to lift sanctions imposed against Poland after the declaration of martial law.

Mr. Lis was among the organizers of the independent Solidarity union and went into hiding when it was outlawed under martial law. He helped form the underground Solidarity and was regarded as its second-in-command.

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Bogdan Lis is greeted by his mother in Gdansk.

Sri Lanka Sets Curfew In Many Tamil Districts

Reuters

COLOMBO, Sri Lanka — A

minority Tamil districts in the north of Sri Lanka, the government announced Sunday, and in the south thousands of youths flocked to join the army.

On Saturday, soldiers and police raided three guerrilla hideouts in Jaffna in their biggest security operation yet, the government said, detaining about 200 persons.

National Security Minister Lalith Athulathmudali said the operation was a success. Police said they found military uniforms, ammunition, bombs and separatist literature.

The government announced a 42-hour curfew from noon Saturday for the Jaffna Peninsula and northern Mullaitivu area to stem separatist violence. It says the curfew is aimed at provoking an anti-Tamil backlash from the majority Sinhalese in the south.

There have been no reports of serious communal fighting, but sources said Friday that the army had killed civilians in revenge for guerrilla attacks on soldiers.

On Saturday, soldiers and police raided three guerrilla hideouts in Jaffna in their biggest security operation yet, the government said. The army had threatened to kill another American and three Kuwaiti officials if Kuwait did not free a group of Shiite Moslems jailed there for bombing the U.S. and French embassies a year ago.

The government said that soldiers had gone on a rampage, but Mr. Athulathmudali said Friday that it would investigate the shootings and discipline anyone found responsible.

■ U.S. Envoy to Visit

A U.S. presidential envoy, General Vernon C. Walters, was due to arrive in Colombo on Sunday to confer with government officials on the violence. The Associated Press reported in Colombo.

Government and U.S. Embassy sources confirmed that General Walters would hold talks with President Junius R. Jayewardene, Mr. Athulathmudali and other senior officials.

Sri Lankan sources said the government was expected to ask General Walters for a supply of U.S. military equipment to fight the guerrillas.

Until now, the U.S. government has said it views the conflict as a domestic problem that Colombo should resolve with a negotiated political settlement.

As to foreign aid, Mr. Lugar said he had "no feeling at this point" whether he would support increased aid for Israel. Faced with severe economic problems, Israeli officials have said they would ask for a sharp increase in aid from the current level of \$2.6 billion to \$4 billion for the next fiscal year.

In a year when draconian measures are being taken on the overall budget," Mr. Lugar said, "foreign aid will not be immune from that." He did acknowledge a "basic commitment" to help Israel out of its economic dilemma but said it was premature to make any judgments.

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Some were internationally distinguished. Ludina Barzini, a journalist and politician, accepted a posthumous award on behalf of her father, Luigi, who was praised as a "journalist and writer of great personality and lively independence of judgment."

There was a certain irony to the award, since Barzini's "lively independence" and his caustic wit about his home land were precisely what could enrage Italians and Milanese.

But not only the famous were singled out. Emilia Arienti, who made leather goods for 50 years in one of Milan's working-class neighborhoods, was cited for her "seriousness and professionalism." Lorenzo Cesano, a policeman, was cited for rescuing a blind man who had fallen into a canal.

In a country that is part Communist, part Roman Catholic and part titled nobility, Milan also is rare as the quintessential bourgeois, commercial town. The lunches do not go on nearly as long as they do in Rome; dinners begin to show people out of restaurants at the unseemly hour of 3 P.M. Even on St. Ambrose's day, the stores stay open.

For many in Milan, this day meant the beginning of the skiing season, and the roads around town were snarled with cars heading for the Alps.

St. Ambrose's feast also marks another occasion in Milan, the opening of the opera season at La Scala.

On the list to attend the opening performance on Friday were Princess Caroline of Monaco and her husband, Stefano Casiraghi; Patricia Gucci; Chicca Olivetti, and ambassadors and Italy's political leaders, including President Sandro Pertini and Prime Minister Bettino Craxi.

Like many institutions in Italy, La Scala is subject to partisan politics, and so is the distribution of opening-night tickets. The local administration in Milan is Socialist, and so

(Continued on Page 2, Col. 5)

Iranians Storm Hijacked Jet; Last Hostages Reported Free

Reuters

TEHRAN — Iranian security forces stormed the hijacked Kuwaiti airliner at Tehran airport Sunday night and the hijackers surrendered, the Iranian news agency IRNA said.

The agency said the hijackers and hostages were seen coming down the stairs from the plane with their hands raised above their heads.

Earlier, the hijackers had released seven more of the hostages, IRNA said.

The hijackers, who said they had killed two U

African Nations Reject Pretoria's Terms for Settlement in Namibia

United Press International

HARARE, Zimbabwe — The six African "front-line" nations rejected new U.S.-backed proposals aimed at breaking the deadlock over independence for South-West Africa, according to Prime Minister Robert Mugabe of Zimbabwe.

Mr. Mugabe, in an interview with the government-controlled Ziana news agency on Saturday, said the decision to reject the proposals by South Africa was made Friday during a four-hour meeting of leaders of the six states in Tanzania. The prime minister sharply criticized both the United States and South Africa in his remarks.

He said that President Jose Eduardo dos Santos of Angola proposed South Africa's latest proposal, an offer to withdraw its troops from South-West Africa — also known as Namibia — in exchange for the pullout of about 25,000 Cuban troops in Angola.

Mr. Mugabe described the proposal, which is similar to earlier



Robert Mugabe

offers, as "arrogant and an interference" in Angola's internal affairs.

"Our conclusion is that the United States and South Africa are acting fraudulently on the whole question," Mr. Mugabe said, "and the sooner the international community reverts to the United Nations Security Council for ways and means of implementing UN Resolution 435 the better."

South Africa administers Namibia in defiance of the UN resolution, which establishes a formula for its independence. The United States has backed South Africa's insistence that a withdrawal of its troops from Namibia be linked to a Cuban pullout from Angola.

"We are now wiser after the briefing given us by President dos Santos than we were a few weeks ago after the briefing we got from Chester Crocker," the U.S. assistant secretary for African affairs, Mr. Mugabe said.

Last month, Mr. Crocker gave Angola the South African propos-

als, which called for the withdrawal of the Cubans within 12 weeks, Mr. Mugabe said.

He said that South Africa also demanded that the Cuban troops not be replaced by troops from other East bloc countries and that the South-West Africa Peoples Organization, fighting for the independence of Namibia, should agree to a unilateral cease-fire.

The six "front-line" states confronting South Africa in negotiations over Namibia's independence are Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe.

UN Staff Protest Loss of Pay Raise, Plan to Stage Walkout Wednesday

By James Feron
New York Times Service

UNITED NATIONS, New York — Thousands of United Nations employees here and abroad plan to walk off their jobs for part of the day Wednesday in a "worldwide day of solidarity" against budget-cutting efforts that threaten a cost-of-living increase.

The dispute, which pits employees against delegations seeking to reduce costs, flared into the open just over a week ago when the General Assembly suspended the second stage of an 8-percent wage adjustment that was to take effect Dec. 1.

The assembly was responding to a joint economy move by two unlikely allies, the United States and the Soviet Union, which together provide 38 percent of the \$720-million regular budget of the United Nations. They sought initially to eliminate the cost-of-living increase.

Alan L. Keyes, a U.S. representative, had said earlier in the budget committee that the United States favored the current salary of

system. It calls for international civil servants to be paid at a level corresponding to the best-paid national social program, in this case the United States, plus a small premium.

But salaries here, Mr. Keyes said, are now almost 40 percent higher than U.S. government pay, rather than the "historically" acceptable 15 percent. He said the secretarial staff had become an elite group in terms of living standards.

George Irving, head of the United Nations Staff Union, said last week, however, that a study by the International Civil Service Commission, based on total compensation, showed a margin of only 10.6 percent. He said the staff union would appeal the assembly decision to the administrative tribunal, a UN appeals panel.

Salaries of professionals here, representing roughly half the 7,000-member headquarters staff, range from \$27,200 a year for an entry-level employee to \$129,000 for an undersecretary general, with a typical midcareer salary of \$60,000.

U.S. Envoy In Israel for Border Talks

By Edward Walsh
Washington Post Service

JERUSALEM — Richard W. Murphy, U.S. assistant secretary of state, began a new effort Sunday to break the deadlock in the negotiations between Israel and Lebanon over an Israeli troop withdrawal from southern Lebanon.

Mr. Murphy met Sunday morning in Tel Aviv with Defense Minister Yitzhak Rabin before traveling here for an afternoon meeting with Prime Minister Shimon Peres.

Israeli officials said the U.S. diplomat, at the outset of what was expected to be a two-week mission shuttling among Jerusalem, Damascus and Beirut, was briefed on the status of the negotiations and on Israel's objectives in the talks.

Mr. Murphy did not comment after the meetings.

The latest round of Israeli-Lebanese negotiations began Nov. 8 at the United Nations southern Lebanon headquarters in Naqura. The talks between military delegations from the two countries and the United Nations are aimed at reaching agreement on security arrangements in southern Lebanon that Israel is insisting on as a prerequisite for the withdrawal of its troops from the territory.

The first month of the negotiations has produced little apparent progress toward an agreement. Israeli officials say the talks are now deadlocked over the future role of UN troops in southern Lebanon.

Israel wants the UN force redeployed to the north along the Awali River, where it would act as a buffer for an Israeli-supported militia that would be deployed further south, along the Israeli-Lebanese border. The Lebanese have proposed that the Lebanese Army take over this territory, and that the UN force be confined to the area close to the Israeli-Lebanese border.

The two sides have not even begun serious discussions of an even more divisive issue, the role of the Israeli-backed militia, the South Lebanon Army. Lebanon and Syria have both said they will have no part in any agreement that authorizes the continued deployment of that militia in the territory.

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Before they got to the parties, La Scala's formally dressed opening-night patrons were greeted by a group of demonstrators jeering and chanting slogans. A spokesman for La Scala said the demonstrators were from a factory that is on strike. "They just want to shout at rich people," she said.

What remains from St. Ambrose is not just fashion or ordinariness. Among other things, Mr. Rumini noted, St. Ambrose contributed a separate liturgy to Roman Catholicism, a form of social organization based on small parishes and a sense of identification between his city and Christianity that has survived waves of secularization. The Milanese churches were packed Thursday night and, again, Friday.

Milan Fetes Patron Saint

(Continued from Page 1)

is La Scala's superintendent, Carlo Badini. "It means," one knowledgeable Milanese said, "that the friends of the Socialists are the first to get tickets."

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Administration officials said that unless Mr. Reagan and his national security adviser, Robert C. McFarlane, tried to resolve the policy differences, it was unlikely that alternatives to current policy would gain acceptance.

The stalemate within the administration over Nicaragua is said to revolve around three officials, Mr. Shultz, Mr. Ikle, and William J.

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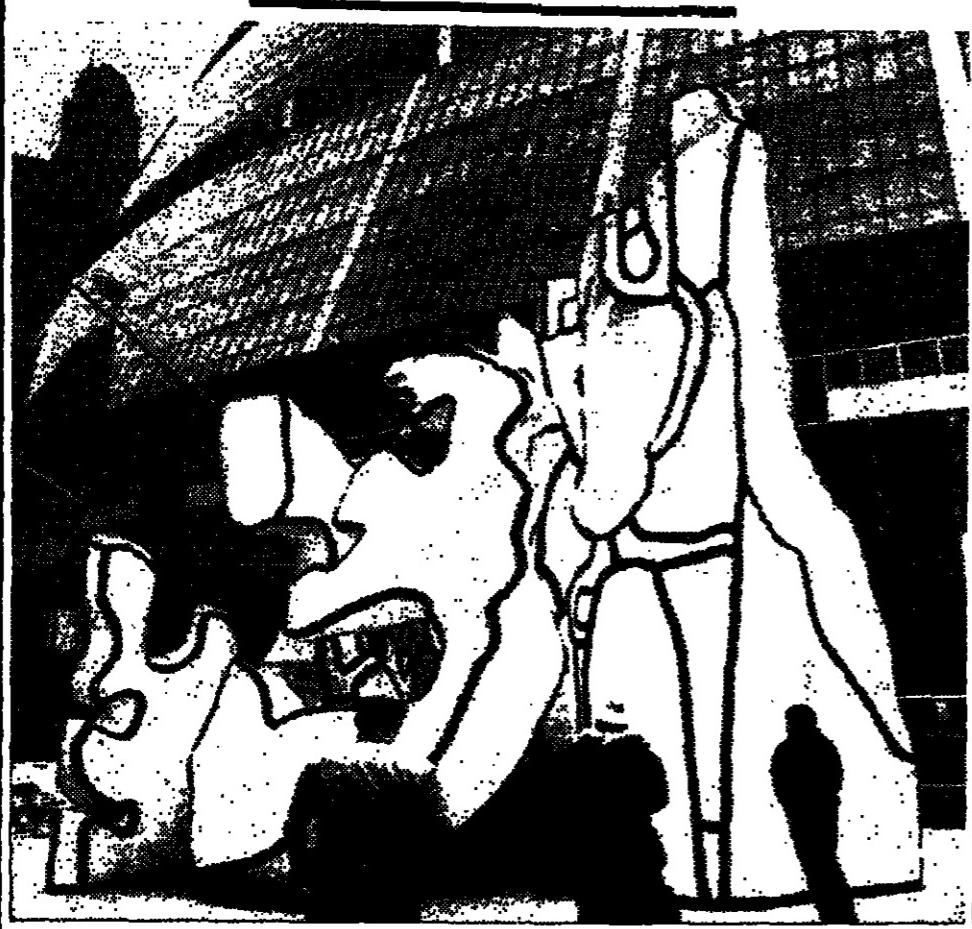
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AMERICAN TOPICS

Jean Dubuffet's sculpture "Monument With Standing Beast" in downtown Chicago.

A Beastly Work of Art Unveiled in Chicago

An abstract sculpture 29 feet (8.7 meters) tall by Jean Dubuffet of France was unveiled last month in downtown Chicago. "Monument With Standing Beast," privately financed, joins other giant artifacts by Pablo Picasso, Alexander Calder, Claes Oldenburg, Joan Miró and Louise Nevelson that have given The Loop a worldwide reputation for 20th-century outdoor art.

Made of fiberglass painted black and white over a steel framework, "The Beast," as it already has been nicknamed by Chicagoans who don't know quite what to make of it, stands in front of the unfinished State of Illinois Center. The center looks like a giant spaceship.

"The Beast" has been compared to a lighthouse, a hammed house, a rearing horse, a melting snowman. Governor James R. Thompson, who unveiled the work, said his 6-year-old daughter Samantha thinks at least part of it looks like Snoopy, the dog in the comic strip "Peanuts."

Dole Says He'll Push Meese's Confirmation

"I think we've held Ed Meese hostage long enough," says Senator Robert J. Dole, a Kansas Republican who will take office as Senate majority leader when Congress reconvenes in January.

"One of the first orders of business" when Congress reconvenes should be the confirmation of Mr. Meese as attorney general, Mr. Dole says.

Early this year, President Ronald Reagan nominated Mr. Meese, the White House counselor, as attorney general. Then came a five-month inquiry into reports concerning Mr. Meese's financial dealings with people who had received federal jobs.

A special prosecutor announced Sept. 20 that there was no basis for bringing charges

Indian Tribes Clash Over Hunting Code

The Shoshones and the Arapahoes were enemies when members of both tribes were moved onto a 2-million-acre (800,000-hectare) Wind River reservation in central Wyoming more than a century ago. Now the two tribes are fighting again, but the battleground is federal court.

Contending that excessive hunting by the Arapahoes has depleted deer, antelope and elk herds to the brink of extinction, the Shoshones have won a ruling that the Arapahoes must abide by a hunting code imposed by the U.S. Bureau of Indian Affairs.

The Arapahoes, insisting that the claims are groundless, have appealed the ruling. The Bureau of Indian Affairs says the hunting code was imposed only until the two tribes could agree on their own code. They have a joint council that decides on other inter-tribal matters and they are now discussing a hunting code, although anger still runs high.

Short Takes

When Christmas falls on a Tuesday, as in 1984, or on a Thursday, federal employees usually get the preceding Monday or the following Friday off.

Not this year. Donald J. Devine, head of the U.S. Office of Personnel Management, said that with "significant cuts" being planned in government spending, it would be unseemly for the government, with a daily payroll of \$223 million, to allow an extra day off.

More than a quarter of the inmates released from state prisons are back behind bars in two years and nearly a third are back in three years, mostly for new

—Compiled by ARTHUR HIGBEE

against Mr. Meese. Mr. Reagan has said he will resubmit the nomination.

crimes rather than parole violations, according to a 14-state study by the U.S. Department of Justice. Burglars are the most frequent repeaters.

□

Of the 15 state liquor boards that suspended sales of Russian-made Stolichnaya vodka after Soviet jets shot down a South Korean airliner 15 months ago with a loss of 269 lives, only 5 maintain the boycott today, and those states are under pressure to drop the ban.

Notes About People

When Geraldine A. Ferraro telephoned George Bush last month to concede that she had lost in her run for the vice presidency, he invited her to lunch. They ate together in the vice president's office last week with their respective coaches for their television debate, on consumo, salmon steak, potatoes Lyonnaise, asparagus tossed salad, nut fudge brownie à la mode and white wine. They said they discussed, among other things, her problems with the House Ethics Committee and his with the Internal Revenue Service. She did not mention the salty language Mr. Bush used about her, Mrs. Ferraro said. "I don't think any apologies were expected or necessary."

□

The "Virginia City," an extravagantly decorated, 56-year-old private railroad car that once belonged to Lucius Beebe — a journalist, train buff and self-described bon vivant who died in 1979 — has been purchased in mint condition from the Beebe estate. Wade Pellegrini, 38, an air-conditioning installation foreman of Redwood City, California, and a partner paid \$72,000.

—Compiled by ARTHUR HIGBEE

Reagan Hints at Military Cuts, Praised Treasury's Tax Plan

By Francis X. Clines
New York Times Service

WASHINGTON — President Ronald Reagan has praised the Treasury Department's study proposal for income tax simplification as "the best and most complete" he has seen, but he stopped short of offering it as his own.

At the same time, Mr. Reagan came closer to confirming that he might trim back the military budget's rate of growth, saying he would ask Defense Secretary Caspar W. Weinberger to "see what he can contribute" to the deficit-cutting package the White House will propose to Congress.

"There are only two things" in the budget discussion that cannot be changed, Mr. Reagan said. "One of them is Social Security and the other is the interest on the [national] debt."

In a news conference at the White House on Friday, he depicted budget cuts and income tax revisions as a mandate of his re-election and as the key to continued economic growth.

"The people voted against tax increases and they were right," he said. "And they voted against wasteful government spending, and they were right."

Thus far, Mr. Reagan has privately selected \$34 billion of proposed commodity cuts that would reduce or end more than 100 government programs of current federal aid and services to the public. He is seeking \$8 billion more in pro-

posed savings, with some aides urging that this come from slowing the growth of military spending.

Mr. Reagan renewed his campaign vow to oppose any attempt to reduce Social Security payments to shrink the deficit. Republican leaders in Congress have proposed trimming \$7 billion in cost-of-living increases in Social Security next year.

Mr. Reagan offered a spirited defense of one of the more controversial proposed cuts, that the government's civilian employees take a 5 percent pay cut. "We're doing something that has been done in a number of major industries" in hard times, he said.

Until Friday, Mr. Reagan had little to say on the separate issue of changing the tax code. The Treasury Department's study recommendation to drastically alter the current income tax system in the name of simplification generated initial skepticism among many in Congress.

Asked whether he now embraced the Treasury plan for reducing the number of tax rates and eliminating a large number of deduction advantages, Mr. Reagan carefully described it as "a working paper" and "a broad package," and added:

"Obviously, there are points that you want to look at. It does simplify, it does reduce for most individuals, and it does broaden the base in the sense of getting some people or some businesses back to paying more of a fair share rather than leaving it to someone else."

While some administration officials hope to see Mr. Reagan seek an \$8-billion cut in the growth of military spending, he again emphasized this question would await his meeting this week with Mr. Weinberger.

Commenting on the warning from Republican leaders in Congress that any fair austerity budget must include military cuts, Mr. Reagan said, "We know that it's important to cross the board, to see that everyone participates in trying to achieve this freeze."

Congressman Urges Cuts

George C. Wilson and Fred Hogg of The Washington Post report from Washington:

Representative Joseph M. McDade, President Reagan's new point man for the forthcoming battle of the defense budget in the House, has called for reducing the growth of the defense budget.

"From the standpoint of the Defense Department and its credibility in the country, the deficit demands that the defense budget be part of the reduction process," Mr. McDade said in an interview.

"To try to get the old 14 percent increase or whatever this year is, it is just out of the question," Mr. McDade said, "and I intend to make that clear to the secretary" in the upcoming congressional disposition of the budget.

When the new Congress convenes in January, Mr. McDade, a Republican of Pennsylvania, is to



Ronald Reagan ponders a question at a press conference.

become the ranking minority member of the House Appropriations subcommittee on defense, a job that calls for him to defend the Pentagon money bill on the House floor.

Mr. McDade made his comments shortly after a private meeting with Mr. Weinberger in which the defense secretary made his case for fighting significant reductions in the Defense Department's fiscal 1986 budget, which will go to Congress next month.

Mr. McDade's stand, together with the new call by Senator Barry

Goldwater, a Republican of Arizona who is incoming chairman of the Senate Armed Services Committee, to freeze defense spending at this year's level, means that Mr. Weinberger will be fighting for his budget on at least three fronts: at the president's Office of Management and Budget and in both houses of Congress.

David A. Stockman, the director of the budget office, is recommending that the military budget be held below projections by \$8 billion, \$20 billion and \$30 billion in fiscal 1986, 1987 and 1988.

South Africa Is Concerned U.S. Protests Could Harm Relations

By Michael Parks
Los Angeles Times Service

PRETORIA — The South African government has released 16 political detainees and issued visas to two leading American critics because of mounting concern over the impact of U.S. anti-apartheid demonstrations on its relations with the United States, according to informed sources in and outside the government.

The moves by the South African government reflect a growing realization that the continuing protests could lead to possible American economic sanctions against Pretoria and that the Reagan administration's policy of "constructive engagement" was now at risk, the sources said.

In a conciliatory gesture, the first since the demonstrations began in the United States, Pretoria on Friday released on bail five persons charged with organizing a general strike by hundreds of thousands of black workers here last month. It also freed unconditionally 11 other political detainees, all of whom had been held in solitary confinement for a month or more.

South Africa also issued visas to two leading U.S. opponents of

apartheid, Senator Edward M. Kennedy, Democrat of Massachusetts, and the Reverend Jesse L. Jackson, for visits here next month.

Further moves meant to meet some of the criticism of the U.S. protesters, among them congressmen, priests, labor leaders and civil rights activists, are under consideration, according to the sources.

"We are facing a major crisis in our relations with the United States," said Carl Nofke, director of the Rand Afrikaans University's Institute of American Studies. "It is real, it is developing quickly, and we are not prepared for it."

John Barratt, director of the South African Institute of International Affairs, said the breadth and strength of the American protest, particularly those by Republican congressmen sympathetic to South Africa in the past, had apparently caught the government by surprise, but that it would move quickly to try to quiet the controversy.

For South Africa, good relations with the United States are vital since they enable it to withstand criticism from the rest of the world and thus, Pretoria contends, to move toward rapprochement with the United States, including 13 members of Congress.

The demonstrators are calling for the release of 21 labor leaders who they say are being held in South Africa, along with political prisoners. They also are demanding a constitutional convention involving the South African government and opposition leaders.

In New York on Saturday, the executive committee of the National Association for the Advancement of Colored People approved programs to fight South Africa's policy of racial separation.

But Mr. Barratt, Mr. Nofke and other political observers saw signs that the government was trying to avoid aggravating the situation while mapping out a long-term strategy for its relations with the United States.

Washington was told through diplomatic channels that Pretoria, which at first dismissed the American criticism as inconsequential and politically motivated, was now considering it very seriously at the



(UPI, NYT)

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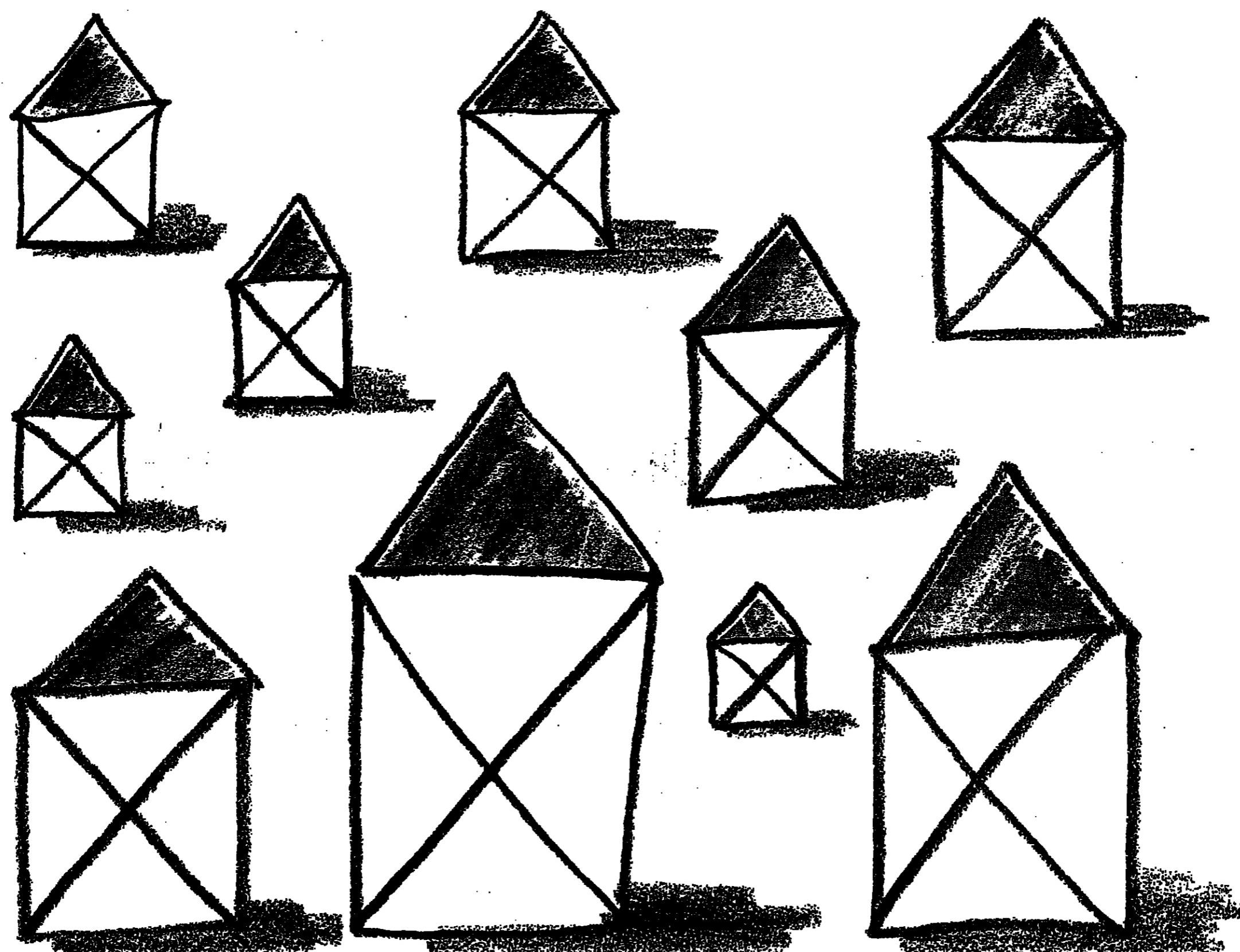
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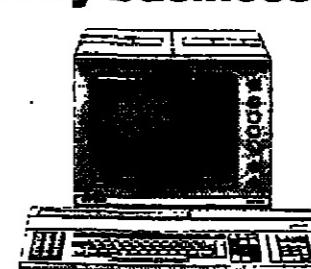
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INTERNATIONAL Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The Chance in Chile

Although Chile's government has met a mounting protest with a persuasive show of force, the Reagan administration is right to worry about that country's stability. General Augusto Pinochet's rigidity has had the unintended effect of radicalizing much of the opposition and enhancing the political weight of Marxists. The administration seems ready to recognize that the time has come to resist this trend by combining pressure and mediation to move Chile toward a democratic future.

The movement toward democracy in Argentina, Brazil, Bolivia, Peru and Uruguay has rekindled the spirit of protest in recession-bound Chile. But if General Pinochet continues to use his military dominance to cling to power at any price, the price could be enormous. For Chile: violence, economic crisis, and political extremism. For Chile's creditors: lower prospects for repayment. For Chile's neighborhood: instability.

Although it is traditional to pretend otherwise, U.S. intervention in the affairs of Latin America is a fact of life. But the Pentagon and the Central Intelligence Agency are not the best long-term instruments of pressure. Financial and economic power are at least as significant. Washington's influence in Chile is likely to be much more effective if expressed through coordinated trade, financial and human-rights policies. It should be exercised not on behalf of any particular political faction but for the restoration of democracy. That means it will sometimes have to be clearly directed against the Pinochet dictatorship.

American military aid to Chile has been suspended by Congress and can be resumed only when the administration certifies an improved performance in human rights. The Reagan administration has so far properly withheld this certification.

American votes on Chile's loan applications to multilateral institutions are governed by similar but less stringent guidelines. U.S. representatives have recently supported loans to Chile. A tougher stance could signal opposition to the resumed repression in Chile.

The private financial sector also understands that democratization enhances creditworthiness. Voluntary bank lending to Latin American nations virtually ceased two years ago as creditor banks in the developed world began worrying about repayment of existing debt. No durable democratic reconstruction is possible until the southward flow of capital can somehow be resumed.

Recent debt reschedulings by Mexico, Brazil and Argentina have shown how responsible governments, credibly articulating the needs of their societies, can negotiate financial relief. A democratic government in Chile, or even one moving in that direction, could reasonably expect the same.

The United States has been influencing political life in Chile for decades. It now has an opportunity, and a challenge, to exert that influence on behalf of a beleaguered but unvanquished democratic cause. The chance should not be squandered.

—THE NEW YORK TIMES.

Something in the Air

There is heated talk now about whether the recent demonstrations at the South African Embassy in Washington will go on and what tactics should be used and whether the protests and the arrests will accomplish anything and what the collateral effects may be and whether these activities can accomplish anything anyway, given the iron hold that South Africa's white minority has on that tragic land. These are hard questions, and good answers will be slow in coming.

What is striking already, however, is that the questions are being asked. It is happening as the direct result of demonstrations begun in Washington barely two weeks ago. One can feel that something new is in the air. The demonstrations have imparted a new intensity and interest to an issue that earlier was off most Americans' screens. These protests have touched something that was there waiting to be touched. They have increased public interest in apartheid and diminished tolerance of it as a familiar, if terrible, constant. They have been a model of public expression, conducted so as to turn new attention on apartheid and bring new pressure to bear.

It is difficult to imagine that President Reagan would otherwise have received Bishop Desmond Tutu, the South African who this year won the Nobel Peace Prize. Just a few weeks ago apartheid was simply not on the presidential agenda, not something that Mr. Reagan had to devote his personal time to or prepare to talk about at a news conference. That is one measure of the change. Will it be so in two weeks, two months, two years? We offer no predictions.

It is already evident, though, that the political system has a larger place available for this issue than many people had suspected. Liberal interest has been refreshed, conservative inter-

est stirred. Some signs of an altered political chemistry are there. Reaching into another society to affect social and political change takes care, skill — and let us face it — arrogance. It is tough to do, and it is tough to keep in mind that the only justification for trying is to make things better, especially, though not exclusively, for the particular people one is trying to help. South Africa is not America's to make over, but it can hardly be said that the United States has yet come near fully exploring the limits of its different sort of influence.

In particular, the possibilities of a conservative U.S. administration remain largely untapped.

President Reagan has an unfortunate lack of evident empathy for the plight of South African blacks. He has a point, however, in stressing the uses of American business in expanding their opportunities. As defensive and rigid as he is about his policy, he was wise to say he would consider suggestions made to him by Bishop Tutu. In its domestic origins, his policy emerged from an atmosphere of low urgency. A higher urgency is being generated. Things need to work, to ferment.

South Africa's release of some of its jailed prisoners — members of the group whose release has been a specific demand of the Washington demonstrators — is an early sign of one kind of response that an attitude of heightened American concern may bring. Mr. Reagan, having already made one statement on apartheid on Friday, popped up in public a second time to say that the release was a fruit of his policy. Others will argue about that, but we will not. That is fine with us — our next question to the president is this: Now that you have confirmed the principle that American policy can be counted on to produce concrete results, what is to be your next success?

—THE WASHINGTON POST.

Those Ornery Missiles

It is wholesome that nations tremble at the thought of nuclear war, but even that deadly subject can benefit from perspective. Nuclear strategists and politicians have speculated glibly about "survival first strikes," as if there were imminent danger of — or opportunity for — perfectly timed salvos of hundreds of missiles that destroy the other side's missiles in their underground silos.

Engineers know better, knowing how hard it is to launch a single missile on time.

An Atlas rocket now sitting at Vandenberg Air Force Base in California has had its launch reset 11 times in the attempt to get it off the ground with a weather satellite aboard. Previous attempts have been canceled because of high-altitude winds that threatened to whip the rocket apart, problems with a radar console, and a glitch in the guidance system.

"I am always amazed when we launch anything at all," Major Ron Peck of the air force told the Los Angeles Times. He notes that 100 people monitor a rocket, any one of whom can cancel the launch. When controllers were less fussy about rockets, "a lot of them blew up."

Yet to execute a successful first strike on

FROM OUR DEC. 10 PAGES, 75 AND 50 YEARS AGO

1909: U.S. Extends Control of Panama

WASHINGTON — Another of the Caribbean Sea republics is marked to come under the domination of the United States. The announcement will shortly be made by the State Department that the American Legion in Panama is to be discontinued. Afterward, diplomatic relations of the American Government with Panama will be in the hands of the Civil Governor of the canal zone. There has existed friction between Panama and the United States, and Washington has been dissatisfied with the way in which Panama has sought to interpret the treaty between the two countries. Since the building of the canal has been in progress Americans have predicted that the United States would be forced to exercise jurisdiction over the republic.

1934: Christmas Sales Are Booming

NEW YORK — A survey of the nation's merchants shows that Christmas spending in many cities is approaching the 1929 peak, ranging 33½ percent above last year. In Chicago, San Francisco and Kansas City, merchants said business was "the best in years" and one store in Kansas City added 500 employees for the season. Sales in Washington show a 25-percent gain, which is attributed in some degree to the fact that the number of Federal employees has increased from 64,000 to 92,000. New Yorkers janned the department stores until the last minute [on Dec. 8] in an effort to get their shopping done before the 25-percent sales tax became effective. Great crowds filled the streets and crowded four deep in front of the counters.

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Building the Bomb: What They Didn't Know Did Hurt

By Peter Wyden

This is the first of two articles.

WASHINGTON — Of all the intelligence from Hiroshima coming back to him on the island of Tinian on Aug. 6, 1945, and after, one ominous note left Dr. Norman F. Ramsey "upset and puzzled." Tokyo Rose, the English-speaking propagandist, announced over the radio from Japan that radiation was causing widespread death and injury to survivors of the atomic blast that destroyed much of Hiroshima.

This report came as "quite a surprise" to Dr. Ramsey, the personal representative of J. Robert Oppenheimer, who was the director of the laboratory where the first atomic bomb was made. In all the discussions among the scientists who had worked on the wartime program to build an atomic bomb, no one had predicted problems with radiation.

We are now beginning to learn just how little the scientists and the politicians knew about the bomb when decisions were made to use it.

The ignorance of both scientists and politicians, and their unwillingness to learn much about the lethal long-term radiation effects of "the bomb."

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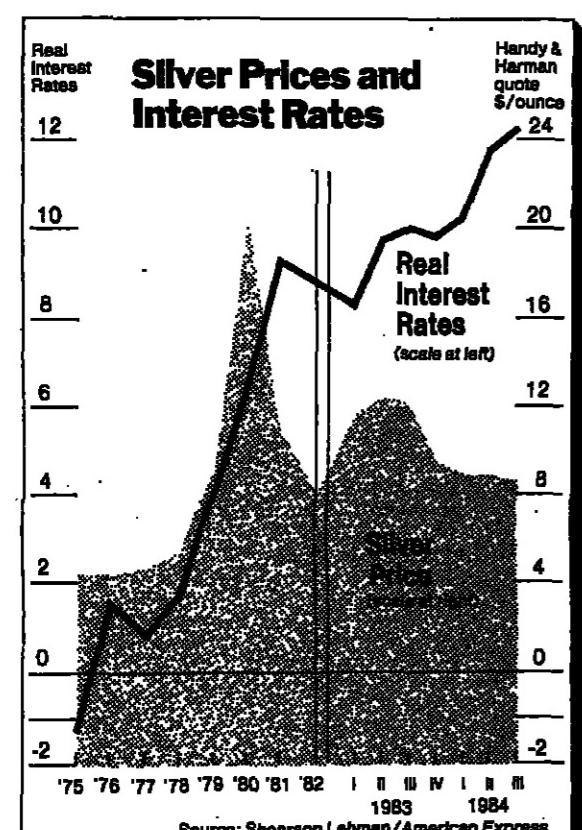
Silver Prices Fail To Meet Expectations

Scarcely a year ago, some metal specialists were betting on the global economic recovery to perk up silver demand and prop prices higher. Their reasoning was straightforward. Unlike gold, silver is an important industrial. Consequently, strong business activity should send big users like the photographic and electronics industries searching for more silver.

To some extent demand has picked up and is expected to grow slightly in 1985. But silver prices have failed to respond the way bulls had hoped. "It's a question of supply," said David Williamson, who heads the London metals unit of Shearson Lehman/American Express. "There is no shortage of silver and the stocks are absolutely enormous. Supplies are swamping demand."

This year supplies are exceeding demand by about 173 million troy ounces. Next year, the surplus could reach 179 million. Most analysts agree that the outlook for silver is gloomy as long as the dollar and interest rates in the United States remain high and inflation stays low. Mr. Williamson thinks silver will trade in a range of \$5.50 to \$10 an ounce next year compared with an estimated 1984 average of \$8.25.

Even prospects for a continued modest decline in U.S. rates and a slight rise in inflation in 1985 are not expected to move prices significantly. Bette Raptopoulos, senior metals analyst at Prudential-Bache, puts the upside potential in the neighborhood of \$10 to \$11, but not until "way into the year."



Retailers' Christmas May Not Be Merry

So far the Christmas shopping season has been anything but jolly for retailers in the United States. The year-end buying spree that many had counted on to offset the sagging sales of the last four months has yet to materialize.

Christmas sales account for a third or more of most retailers' annual sales and generate up to three-quarters of their profits.

Not surprisingly, yuletide sales figures are handy in gauging the market's reaction to individual stocks. Thomas P. Farley, an analyst at Salomon Brothers, said the surprisingly slow pace of sales is bound to put pressure on earnings. "No one will escape," he said.

Mr. Farley blames the poor showing on the general slowdown in the American economy, which apparently has affected consumer spending more than previously anticipated. He also said the consumer is "playing a game of chicken" with big department stores, delaying their Christmas shopping until the last moment to benefit from steep markdowns on merchandise. If so, sales volumes may pick up, but the bargain prices will not do much for revenues.

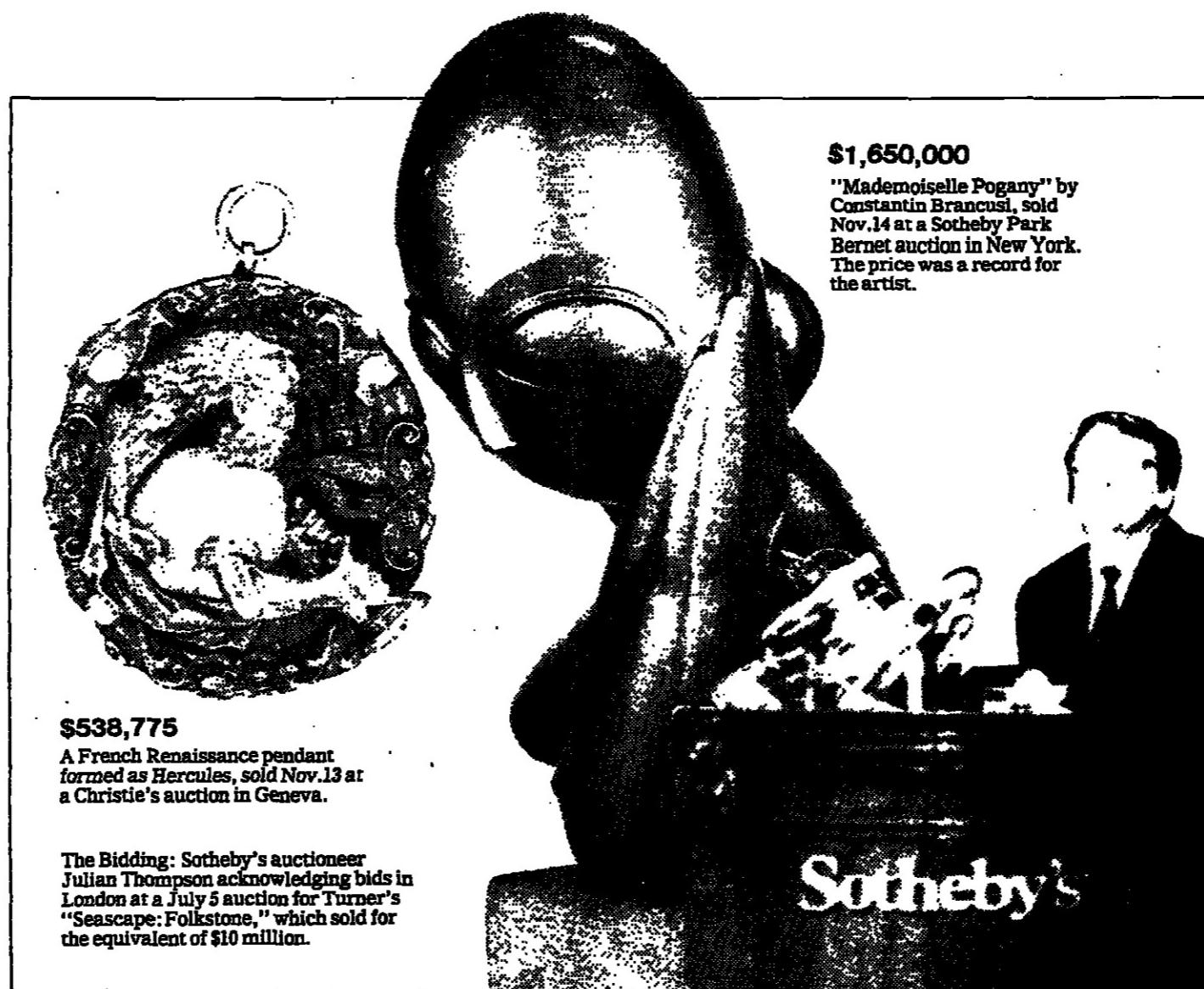
U.K. Takeover Boom Lifts Special Funds

The takeover boom that has swept the London stock market has paid off handsomely for a number of the so-called special-situation funds. Moreover, British fund managers expect their strong growth to continue in the foreseeable future.

These unit trusts invest in companies that find themselves in unusual circumstances. The companies may be undervalued by the market or on the brink of collapse but still have good recovery prospects. More recently, however, the funds have done well buying up shares in companies that face possible takeovers.

"Over the next three, four or five years, over the long term, these funds will do well," said David Lis, a fund manager at the Target Group PLC. Target's special-situation fund gained 40 percent in the year ended in October compared with a 24-percent improvement in the Financial Times all-share index.

Investing in special situations is risky, but the returns can be huge. Target purchased shares in Brooke Bond Group PLC, a large British tea company that was facing takeover. It was finally acquired by Unilever PLC after a bitter battle with another suitor. Target bought its shares at 65 to 70 pence apiece. It sold them to Unilever at 125 pence.



Appraising a Two-Tier Art Market

By Souren Melikian

THE SERIES of record prices paid in 1984 adds to the evidence that the international art market is heading toward an unprecedented split. It is a dangerous situation that makes collecting art financially more risky than usual.

On one level of this split market, huge prices are being paid for works that often fall short aesthetically but are readily recognizable even by the novice. In the other are some objects of exceptional quality that are going for quite reasonable prices. By force of economics, it is only this second market that will be open to buyers who are not able or willing to pay prices running into the millions of dollars.

The reasons for this situation are complex. Certainly, a major factor is the entry of the extremely wealthy buyer looking for a haven for excess cash. These buyers appear to regard art as a safer home for a certain portion of their wealth than financial instruments.

In this type of market, value adheres to the obviously marketable. To fetch a maximum price, a work of art now has to be large, typical and signed where signatures are expected. The work should also be graced by a pedigree, preferably with some historical context, and must have been included in a recognized reference book or major exhibition.

Evidence of this was confirmed at Sotheby's New York sale on Nov. 14, which put the finishing touches on this year's picture of the market in impressionist and modern painting.

The sale began with bidding on six paintings

Long-time observer of the auction scene finds it going in two directions financially.

from the collection of the Bakalar family of Boston. A landscape by Monet painted in the right period, about 1875, with a blur of red and white roses and sunlight playing through trees soared to a stupendous \$2.4 million. Later, a Corot portrait in the manner of Raphael, bordering on kitsch, restored at the bottom but big and frequently published in reference books, established the world record for the artist at \$3.85 million.

But, a telling contrast came in the sale of a Daumier, "Un Wagon de Troisième Classe," from the same collection. It was sold at a price 10 percent under the minimum forecast by the auction house. While the \$396,000 it brought is a substantial price, it would have gone for twice that figure if quality had been figured into it.

Examples of this can be multiplied. A day before the Sotheby's sale, a Monet landscape not was neither remarkable for its composition nor for its brushwork, sold at Christie's for \$2.09 million, double its high estimate. It was a typical impressionist image — blurred flowers in the foreground, a woman with an umbrella in a meadow. The large painting had been abundantly publicized like the rest of the collection of former U.S. Ambassador Walter Annenberg, who was selling it.

Also, an admirable portrait of a woman by Picasso at the height of his neoclassical period in 1923 also doubled its high estimate at \$4.29 million. The price was fantastic for a pastel, however big. But at least the buyer owns what is perhaps the masterpiece in that particular phase of Picasso's work.

But there were bargains to be picked up among the works. A landscape by Pissarro showing peasant women in a windswept field went for \$2.200,000. Another work by the same artist called "A Haystack at Eragny" in rare shades of mauve, emerald green and dainty blue was even cheaper at \$154,000. The reason? Picasso's name is not so often shouted on the rooftops as Monet's or Renoir's and neither picture had any particular provenance. In short, their quality did not make a shred of difference.

Similar examples can be cited in every field. In Chinese art, one occurred last week at Sotheby's sale of the Ezekiel Schloss collection of Chinese ceramic sculpture. In that sale, a Tang dynasty horse of the eighth century fetched a record \$660,000, and a sancai cup of irregular shape with a

handle modeled like a monkey was "bought in" at \$9,500, that is, went back to the seller because it failed to reach the minimum price required him.

Sotheby's estimate for the cup may have been slightly exaggerated, but it was equally inflated for the Tang horse, which had been valued at about \$400,000 to \$500,000. The cup was of outstanding quality and exceedingly rare, but only a collector of Chinese art would have known it.

The rule also applies to objets d'arts from the ancient world. In a Paris sale last month, the marble torso of a young man in the first century A.D. was auctioned for \$60,000 francs (\$39,570), three times its estimate. The marble, 70 centimeters (28 inches) high, is neither rare nor attractive. The headless, footless body is clumsily broken below the right knee. But it came from a well-known collection, that of the late Armand Tramitzsch, and is the archetype of Greek and Rome sculpture as understood by the nonspecialist.

In each case, this new category of buyers in the art markets bid up what they regarded as typical of a period or artist, frequently passing over more unusual, better quality works. No one can say when

(Continued on Page 12, Col. 6)

U.S. Bonds: A Crucial Juncture

By Terry Gross

THE MARKET in U.S. government bonds, which has been on an upswing since June, appears to be nearing a critical juncture that could test investors' nerves.

Though the professionals remain moderately optimistic about the outlook for Treasury securities in 1985, they warn that there could be a severe bout of hand-wringing in January. The anxiety is focused on four areas:

- The market's reaction to President Ronald Reagan's State of the Union and budget messages.
- Investor response to a series of Treasury securities offerings that traders refer to as minifundings.
- The response of U.S. consumer spending to the recent declines in interest rates.
- The nagging question of whether the dollar's strength will persist.

Sufficient negative developments in these areas could unleash one or both of the twin evils most feared by the bondholder: climbing interest rates and rising inflation. Of the two, the threat of an interest-rate surge is causing the most concern.

Despite the array of uncertainties, professional bond watchers are ending the year on a moderately optimistic note. Most expect some form of correction early in the year and an upswing later.

The assessment comes after 12 months almost evenly divided between bad and good times. The first five months were dominated by little investor demand and massive Treasury borrowing needs. The two did not mix well.

Long-term Treasury bonds were yielding about 11.6 percent in the first few months of the year. But by May, yields had risen to 13.6 percent on the long-term Treasury, substantially cutting into the value of bond portfolios.

BUT JUNE brought more convincing evidence that the U.S. recovery was slowing. The appetite of consumers and business for credit began to weaken and interest eased. Yields on bonds began to decline and prices began to rise. The Federal Reserve, trying to head off a recession, has been more accommodative in managing available credit.

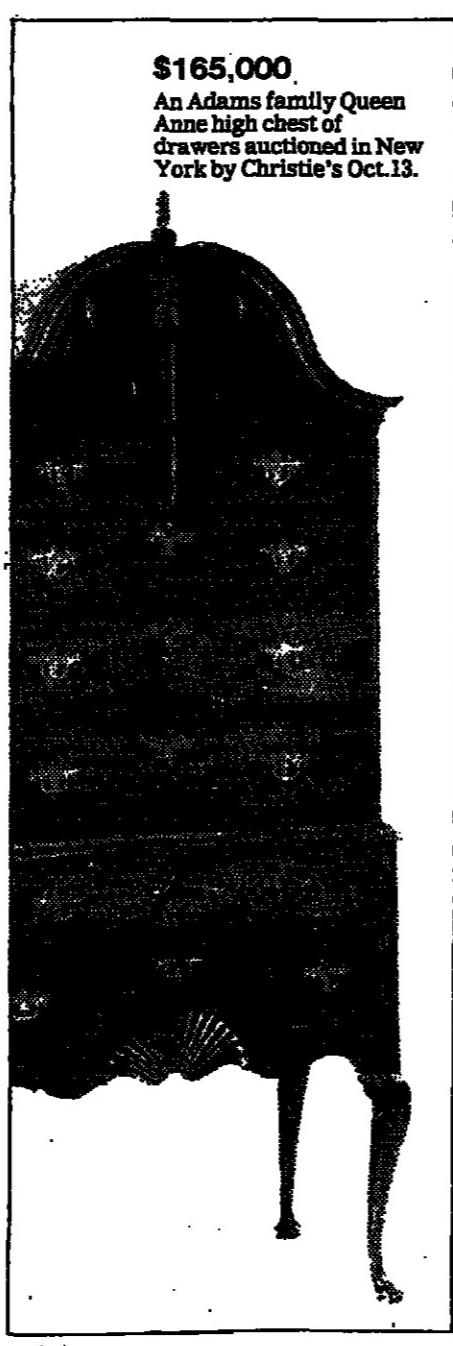
The combination of lower interest rates and easier credit leads some analysts to expect a pickup in consumer spending that could send interest rates up moderately. Steve Slifer, senior vice president of Lehman Government Securities, said, "I would look for a pickup in rates at some point" in the early part of the year.

He said the crucial time period would be when consumers believe rates had fallen enough to make borrowing attractive again. If consumers are ready to borrow, then interest rates will kind of hang at current levels for a while," Mr. Slifer said. If consumer spending picks up and the money supply increases, "the Fed would have to let rates rise," Mr. Slifer concludes.

There is, however, uncertainty among analysts and traders about the timing of any increase in interest rates, and also about how long they could be expected to rise.

"The January period is important in view of the

(Continued on Page 8, Col. 3)



Next Month

Enthusiasm for Japanese stocks is running high among professional money managers. But individual investors who want to pick their own stocks in this market can run into problems. They are often confronted with a list of unfamiliar companies with high price/earnings ratios.

Next month's Personal Investing, to be published Jan. 14, will look at how the professionals go about selecting issues in the Tokyo market. The report will highlight some of the shares that analysts say could do well as the Japanese recovery progresses. Other articles will include a report on the changing views on gold and the quarterly roundup of U.S. mutual fund performance.

Personal Investing, a report for the investor with an international perspective, is published on the second Monday of the month. Readers are urged to make the appropriate inquiries before committing any funds.

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A Swiss Hybrid Linked to Yen Is a Big Hit

By David Tinnin

SEITARO KAGA met with only skepticism in the early 1970s when he described his ideas to old-line Swiss bankers. They had little interest in his proposal to launch a new bond denominated in Swiss francs that would be convertible into the Tokyo-listed shares of Japanese companies.

However, Mr. Kaga, now head of Nikko Securities in Zurich, finally met an interested young Swiss banker who had just returned from a stint on Wall Street. He was Rainer Gut, now chairman of Julius Baer, Clibank and Clariden. Together, Mr. Kaga and Mr. Gut launched the first convertible issue for a Japanese printing company in 1975.

The skepticism has since subsided. Japanese borrowing now accounts for 46 percent of all money raised by foreigners on the Swiss market, and the convertibles, which are issued as private placements, account for a third of all money flowing out of Switzerland to borrowers abroad.

The Japanese convertible shares some features with a classic convertible, which is essentially a fixed-interest bond that can be exchanged for the issuing company's common stock. The rate at which the bond can be converted into stock is usually set at a price above the level at which the stock is trading at the time of the bond's issue.

Traditional convertibles are usually considered best suited to hedging in uncertain markets. In return for accepting a yield lower than that of a straight bond, the holder has an option to buy shares at a fixed price if the stock markets begin to soar.

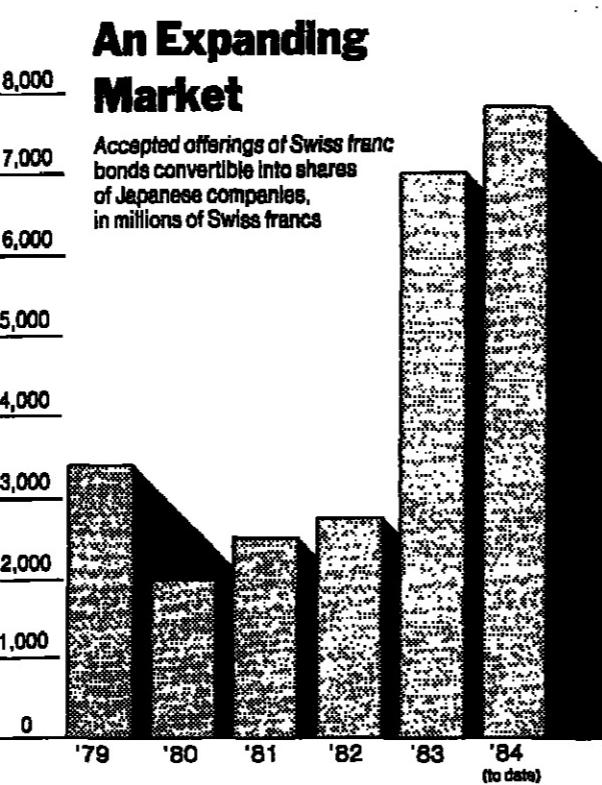
This same image, however, hardly applies to the Swiss market's Japanese convertible, which is designed for rapid turnover and fast payout. The conversion premium — the percentage by which the conversion price exceeds the current stock quote — is a low 5 percent. By contrast, some recent dollar-denominated convertibles have been offered with premiums of 25 percent.

At first glance, the Japanese convertible do not look attractive. Their coupons pay very low returns of only 1.78 percent or at most 2.4 percent a year as compared with 10 percent or more on Japanese dollar-denominated Eurobonds. And the selling price is always set at a par of 100.

Nevertheless, the strong showing of Japanese stocks and the strengthening of the yen, which has even gained ground on the Swiss franc, are driving up the value of convertibles.

A list compiled by a major Swiss bank shows that among the most actively traded issues 146 have advanced while only 46 declined this year. Sometimes the price gains have been astounding. Ushio, a high-technology optics company, was up 41 percent this year. Sanyo Yamato, a precision engine maker, rose 48 percent.

Basically, the instrument is



U.S. Bond Market Faces a Key Test

(Continued from Page 7) political backdrop we'll be trading against," said William Sullivan, senior vice president and director of money market research for Dean Witter Reynolds. He said the two key events in January would be the State of the Union message and the president's 1986 budget.

He said that recent indications about the budget and its deficit projections did not inspire optimism. "The question is what will foreign attitudes be when the budget document is formally released and we have a string of budget deficits for three or four years," he said.

An erosion of foreign confidence in the U.S. recovery could reduce the demand abroad for U.S. securities. With few buyers, the Treasury would have to tempt investors with higher interest rates to come down without reducing the allure of bonds.

But Paul Jacobson of Goldman Sachs cautioned that: "The market is not poised for bad news." He said that if either the money supply or inflation rises unexpectedly, there would be a sharp drop in bond prices.

Bond investors sometimes fail to appreciate how badly even a fairly modest rise in interest rates erodes bond prices. Take the example of the current long-term Treasury bond that matures in 2014. The bond is trading just over par (100 points), with the yield just below its coupon of 11% percent.

An investor who sold this bond immediately would receive just over \$1,000 minus commissions.

However, if interest rates were to rise and 30-year Treasury bond yields climbed to 12% percent, the price of the bond would fall to about 91.4 points, giving it a value of \$912.50. That represents a price decline of 8.75 percent.

Those numbers add up to a definite risk to the bond investor," notes Mr. Sullivan. He suggests that investors may want to begin taking their profits on their longer-term government bonds and putting the proceeds into shorter maturities.

Investors who take such an action would be giving up some yield but buying a little insurance against a price drop. For example, the current 10-year government bond yield is near its coupon of 11% and the price about par, or 100. A 1-percentage-point increase in 10-year interest rates would cut its price by about 5.5 percent, substantially less than that of a 30-year bond.

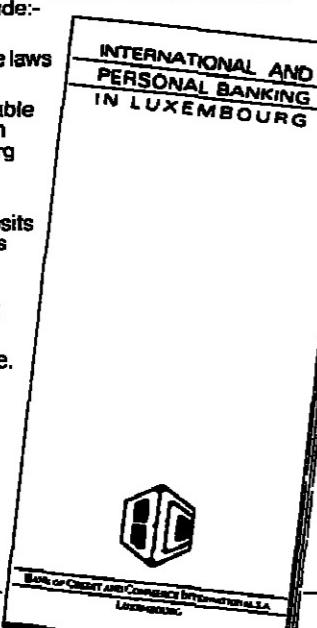
"I think the dollar will remain

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FUNDS

Comparing the Funds Globally

A new study produces intriguing results

By William McBride

THE FUND investor whose goal is capital growth rather than income would probably have done the best in the past 18 months by putting money into the international funds that emphasize holdings in smaller technology companies in Japan and Hong Kong.

That is one of the conclusions drawn from an initial study that seeks to compare the performance of both international unit trusts and U.S.-registered mutual funds.

The study was carried out by Lipper Analytical Securities, which has long tracked the performance of U.S. mutual funds. Michael Lipper, president of the firm, says he believes that the study is the first effort to compare fund performance on a global basis.

Lipper Analytical currently tracks 700 mutual funds registered with the U.S. Securities and Exchange Commission. For the global study, it looked at an additional 400 funds based outside the United States and not registered with the SEC.

The study compared the performance of those funds over two time periods based on the highest and lowest values of an index of U.S. growth funds. The periods from June 23, 1983, until Nov. 26, 1984, and from July 26, 1984, until Nov. 26, 1984, represent the performance from the latest peak and latest trough of the index. Performance was based on total return,

The Leaders: A Comparison

The total return performance of the five leading U.S.-registered funds and the five leading funds based outside the United States during the period June 23, 1983 to Nov. 26, 1984 and July 26, 1984 to Nov. 26, 1984. The figures assume reinvestment of income.

From June 23, 1983 until Nov. 26, 1984:

	Non-U.S. Funds	U.S.-Based Funds	
GT Honshu Pathfinder Fund	65.9%	Prudential-Bache Utilities Fund	37.3%
GT Capital Small Companies Fund	54.4%	Vanguard Qualified Dividend I	28.3%
JF Japan Smaller Company Trust	43.5%	Sequia Fund	28.2%
JF Japan Technology Trust	42.8%	Fidelity Select, Technology	26.6%
Wardley Japan Trust	36.5%	Merrill Lynch Pacific	26.5%

From July 26, 1984 until Nov. 26, 1984:

	Non-U.S. Funds	U.S.-Based Funds	
GT South China Fund	41.7%	Prudential-Bache Utilities Fund	28.3%
Henderson Baring Hong Kong Fund	41.0%	Century Shares Trust	21.8%
Schroder Hong Kong Fund	39.3%	GT Pacific Fund	19.7%
Old Court Hong Kong Fund	31.4%	Fidelity Select, Financial	19.3%
Wardley Japan Trust	30.5%	Vanguard Qualified Dividend	19.0%

Source: Lipper Analytical Securities

which includes both the change in the net asset value of the funds' shares and the dividends paid.

Six categories of funds were compared: capital appreciation, growth, funds seeking both growth and income, natural resources, gold and fixed-income.

The results showed that the non-U.S. growth and capital appreciation funds outperformed their U.S. counterparts in both periods. For purposes of the study, GT Pacific was regarded as a U.S. fund because it is registered with the SEC.

The accompanying table shows the performance of the five leading U.S. and non-U.S. funds in both periods. For purposes of the study, GT Pacific was regarded as a U.S. fund because it is registered with the SEC.

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THE BOURSES

INTERNATIONAL HERALD TRIBUNE, MONDAY, DECEMBER 10, 1984

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The Markets in 1985: Four Views on Shape of Things to Come

With the new year approaching, investors will be spending the next few weeks tidying up their stock portfolios, calculating gains and losses, and searching for prospects in 1985. The International Herald Tribune asked four top analysts in major markets around the globe to share their assessments of what lies ahead. Here are excerpts from their comments:

New York: A Case Of Tax Jitters

Richard Page, senior vice president for equity research, Shearson Lehman/American Express, New York:

In large part the stock market's current disappointing performance is a function of a slowing economy that has become a major concern among investors. The other major worry is the U.S. budget deficit and its implication for world economies and financial markets; a debate that has been rehashed again and again in recent years. The newest wrinkle, and the one that is causing the most concern, is the proposed remedy for the deficit, that being tax modifications and expenditure reductions.

The confluence of these concerns, as well as end-of-year tax selling and portfolio window dressing, has pressured stock prices in the post-election period, and the downturn could carry through until year-end.

However, December will represent the best time to buy, rather than sell, stocks. This month should be seen as an unusually attractive investment opportunity to buy low when stock prices are depressed by what will prove to be short-term concerns.

How will a more bullish investment scenario emerge?

First, do not look for a recession in the U.S. economy for a number of reasons. The Federal Reserve is likely to continue to push rates lower. The service sector of the economy continues to show gains in employment, and therefore personal consumption will increase.

Moreover, each postwar recession has been preceded by rising inflation, which later led to higher interest rates. There is no sign of high inflation on the horizon, so investors should not worry about higher rates.

The bulging deficit will be reduced through enactment of a combination of tax increases and budget reductions. It is doubtful that this will involve any radical changes in tax policy.

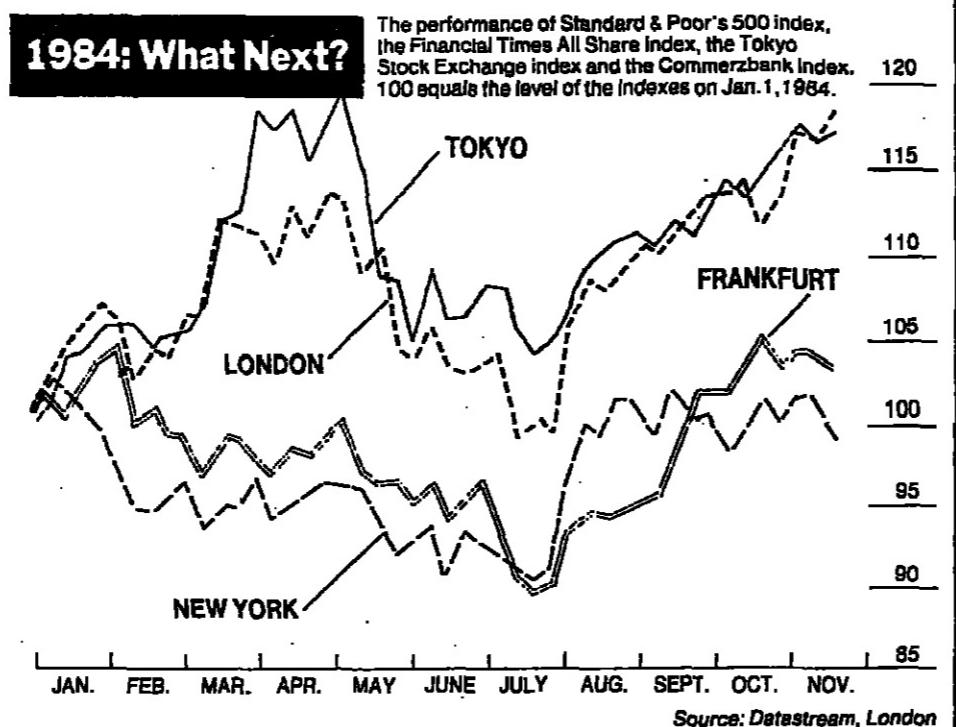
Specifically, investors should look for opportunities among growth stocks where an expansion of price/earnings multiples will provide for the bulk of capital appreciation.

For example, Motorola presently sells at about \$32 per share. If the company earns about \$3.50 per share in 1985 as my research department estimates, part of the expected appreciation in the stock will reflect an earnings increase, but the majority of the upside potential will stem from a P/E multiple that will likely expand to 13 to 14 times as investors pay a premium for earnings growth. If correct, the stock could sell in the mid-\$40s within the next 12 months for a gain of about 50 percent.

Another growth stock example is Warner Lambert, which presently sells at about \$33, or about 10.3 times the estimate of next year's earnings. Again, if the P/E expands to 13 to 14 times, this implies a price of about \$43 or an appreciation of 30 percent from current prices.

1984: What Next?

The performance of Standard & Poor's 500 index, the Financial Times All Share Index, the Tokyo Stock Exchange index and the Commerzbank index. 100 equals the level of the indexes on Jan. 1, 1984.



Source: Datastream, London



In large part the stock market's current disappointing performance is a function of a slowing economy that has become a major concern among investors. The other major worry is the U.S. budget deficit and its implication for world economies and financial markets; a debate that has been rehashed again and again in recent years. The newest wrinkle, and the one that is causing the most concern, is the proposed remedy for the deficit, that being tax modifications and expenditure reductions.



London: Policies Favor the Market

Kenneth Inglis, head of equity research for the United Kingdom, Phillips & Drew, London:

BRITISH authorities are pursuing an economic policy which is intrinsically favorable to the equity market in the U.K. One of the main features of the policy is a drive to reduce interest rates. This has favorable implications for bond prices in particular, but equities should also benefit. The problem for the foreign investor is that Nigel Lawson, British chancellor of the Exchequer, is also prepared to tolerate a degree of sterling weakness. However, our view at Phillips & Drew is that the dollar looks more over-priced than the British pound.

The probability that Mr. Lawson will be able to allow some gentle fiscal stimulus in his 1985 budget is another prominent feature of the government's economic policy.

Also brightening the outlook for 1985 is the likelihood that the profits of U.K. companies will rise 15 percent. Dividends are currently growing at a similar rate.

Moreover, British companies are showing a more

open-handed approach to dividend distribution, partly because of the fear of unwelcome takeovers. Pay-out ratios, however, are very low by historical standards and companies can generally well afford the higher distributions.

The Financial Times 30-share index, which now includes British Telecom, recently made a new high of 929. The index could go higher in 1985 possibly reaching 975 by the end of the year. If everything goes well — and for Britain that includes stable oil prices in sterling terms — the magic 1,000 barrier could be breached.

The electronics sectors, where profit growth over the next few years is forecast to exceed the general average, is expected to do well in 1985. Britain continues to produce a good stream of new high-tech ideas and entrepreneurs to develop them. Interest in the sector should stay high.

Elsewhere, the composite insurance sector is another favored area. Companies exposed to the improving North American underwriting cycle are especially promising. Renewed takeover interest can be expected in this sector, with Allianz of West Germany still a potential purchaser.

Sectors whose prospects look less appealing include stores and food retailing, where current ratings often look high in relation to profit prospects. Britain enjoyed something of a consumer boom with the arrival of North Sea oil, and retailing conditions have been fairly easy — helped in part by an influx of high spending American tourists. But life could get tougher from here on.

Stocks which should do well in 1985 include GEC, where the company is now using its cash mountain to buy its own equity. Apart from that, the company should do better in power engineering and looks for major progress in military avionics.

Among insurances, we expect Royal to be a major beneficiary of improving underwriting experience.

Other stocks with good potential include Hickson International, an undervalued specialist chemical company which has been curiously ignored by the market up till now. New management is expected to change all that.

Tokyo: Technology Appears Promising

Kinya Tsubaki, managing director, Nomura Securities Investment Trust Management, Tokyo:

ACCORDING to the mid-1984 "OECD Economic Outlook," the Japanese inflation rate in 1985 should be the lowest among the seven leading industrialized countries. The OECD forecasts that the inflation rate in Japan will be 2 percent, compared with 4.75 percent in the United States and 3 percent in West Germany. As a result of the low inflation, interest rates in Japan have stayed at relatively low levels, and further decline is expected in accordance with declining interest rates in the United States and Europe. The appreciation of the yen against major currencies, which we expect, will also contribute to the decline of interest rates.

Oil prices will continue to be weak throughout next year. This should be more beneficial to the Japanese economy than to any other major countries because Japan's oil imports are biggest in volume relative to economic size.

The Japanese economy is thus entering its third year of sustainable growth, with lower interest rates, a firmer yen and weaker oil price. Corporate profits are expected to show double-digit growth again in 1985. In 1984, the rise will be about 24 percent.

Both stock and bond markets in 1985 will continue to be active. The Nikkei Dow Jones Average for the Tokyo stock market will probably mark a new historical high again sometime next year, for the reasons mentioned above. Its highest point in 1983 may be around 13,000 yen. The Tokyo market has advanced to a new high every 12 years in the past three decades. Previous highs were reached in 1961 and 1973. And 1983 will mark another 12-year cycle.

Our basic strategy is based on the outlook that the Japanese economy for 1985 will be supported more by domestic than external demand, which contrasts with the case in 1983 and 1984.

The best-performing sector in 1985 should be the high-technology sector. In particular, we focus on stocks that are related to the development of information-network systems and optical technologies. Biotechnology and new-materials-related stocks also continue to be attractive and promising. In addition, the companies that will benefit by the deregulation policy of the government are expected to be strong performers in 1985. Airlines, banks, communications systems and urban-development-related stocks are included in this category.

On the other hand, stocks related to raw materials, such as steel, shipbuilding and construction, should be poor performers in 1985. The shipbuilding industry still has structural problems, and profits in the construction industry will continue to suffer from restraint in government spending.



In 1984, the inflation rate in Japan was the lowest among the seven leading industrialized countries. The Japanese economy is thus entering its third year of sustainable growth, with lower interest rates, a firmer yen and weaker oil price. Corporate profits are expected to show double-digit growth again in 1985. In 1984, the rise will be about 24 percent.

I would pick the following stocks as the most promising for price appreciation in 1985: Fujitsu and Anritsu Electric in the information-network and optical-technology area, Sankyo for its biotechnology and Asahi Glass for its new-materials products and fine ceramics. Sumitomo Bank should be one of the most promising stocks in the deregulation-affected industries.

Frankfurt: Rates Are Crucial Factor

Gisela Schütte, the head of research at Berliner Handels- und Frankfurter Bank (BHF), Frankfurt:

In contrast to developments in the U.S. and Japan, the upturn in West Germany has so far been modest and steady and there is a good chance for a continuation of relatively inflation-free growth. If this is true, investors will then be willing to accept lower real real interest rates and price/earnings ratios because corporate profits will be less inflated than before.

In the past year, stock prices have benefited from a substantial increase in corporate profits. But the extent to which the economic slowdown in the United States will affect the earnings performance of West German companies, especially those that benefited from strong exports to the United States in 1983 and 1984, is a big uncertainty.

Instead, falling interest rates are expected to play a large role in supporting stock prices in 1985. Under such circumstances, it is not unrealistic to expect the dollar to stabilize at a level of about 2.70 to 2.90 Deutsche marks.

In 1985, I expect the average increase of earnings of German industrial companies to slow to roughly 6 percent after the large gain of 13 percent in 1984. But there will, of course, be sizeable variations from sector to sector. On the FAZ-index, I expect share prices to rise 420 to 430 from their current level of about 370.

The construction and chemical industries will be down. On the upside will be the capital-goods industry, machine-tool companies and, to an even greater extent, the electronics sector. Also, the outlook for the automobile companies is mixed.

Electronics is perhaps really the only growth sector in Germany. Siemens is the favorite here. The company has concentrated its efforts on more and more sophisticated products and thus is changing its image from a conservative electrical to a "high-tech" company.

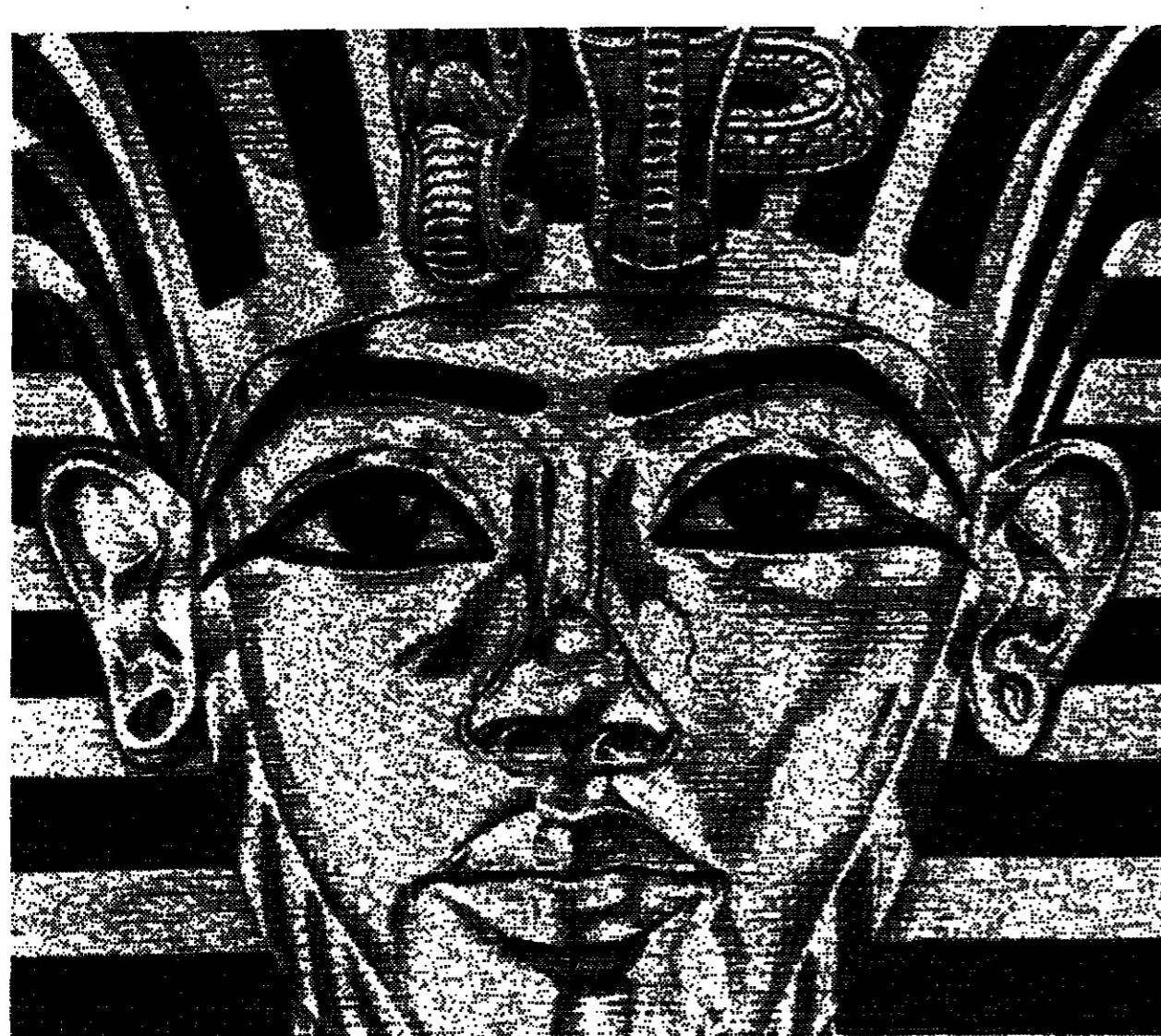
My next choice is Nixdorf AG. Even in the highly competitive U.S. market, Nixdorf is establishing itself as the biggest foreign supplier.

Another German company in a strong position is SEL. Because of its capabilities in telecommunications, the company will come out of a period of restructuring and stagnant profits to reap a harvest.

Likewise, a turn for the better is expected for Mannesmann. The company's strategy to reduce its dependence on the pipe business and to diversify into machinery and electronics is showing its first results after a sharp earnings decline in 1983.

Meanwhile, Deutsche Bank is among the stocks most sensitive to interest-rate movements. The large proportion of savings deposits keeps this bank's funding costs low.

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are 22-carat gold, you get the purity of 24-carat gold for your money with Maple Leaf. And, a high degree of assurance that you can trade it easily anytime, anywhere in the world.

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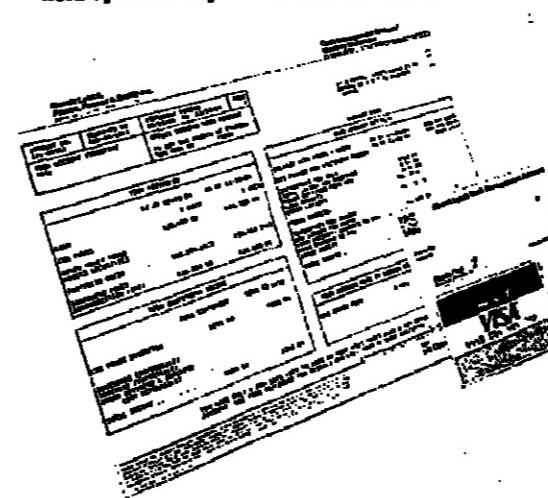
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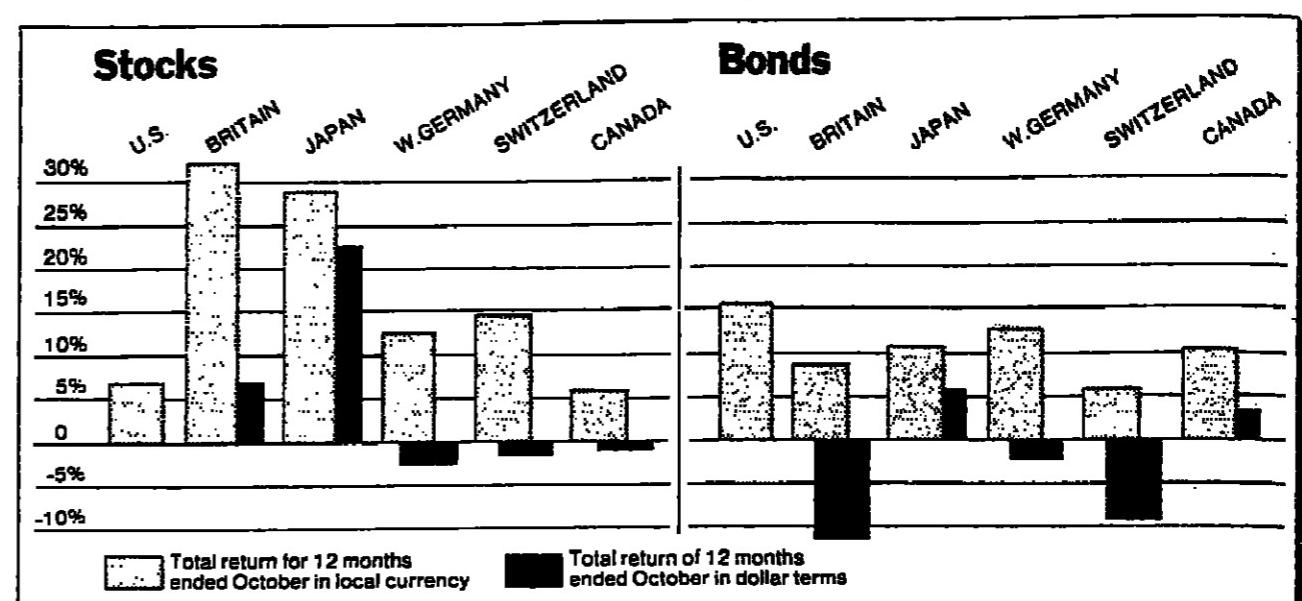
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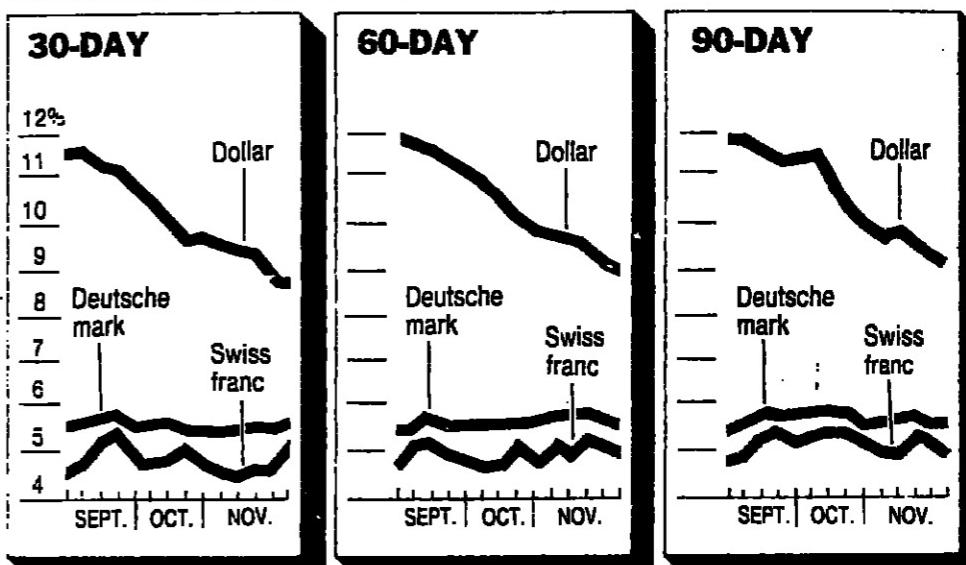
CHART TALK

Total Returns in 6 Markets



Eurocurrency Deposit Rates

Interbank rates on deposits of \$1 million or equivalent. Quotes offered on smaller amounts can vary substantially. Provided by Noonan Ashley Pearce, New York.



November Leaders and Laggards

Gainers and Losers

The stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in November.

GAINERS		LOSERS	
Percent Gain	Nov. 30 Price	Percent Loss	Nov. 30 Price
New York Stock Exchange: Compiled by Media General Financial Services. Prices in dollars			
Prairie Producing 80 17.50 Western Union 45 8.80			
Omark Industries 46 36.50 John Blair 38 15.25			
Donaldson Lufkin 30 29.75 Helene Curtis 35 14.00			
Internet' Harvester 22 7.63 Mestek 31 3.00			
Computer Sciences 22 15.38 Integrated Resources 31 13.83			
Avco Corp. 22 47.00 Valero Energy 29 6.00			
Gearhart 21 13.75 Comdisco 28 8.75			
Di Giorgio 20 14.75 Evans Products 28 3.50			
Telecom 20 3.00 World Airways 28 4.00			
Public Service N.H. 19 4.63 Oak Industries 28 2.88			
American Stock Exchange: Compiled by Media General Financial Services. Prices in dollars			
Prentice Hall 57 70.88 Tridex 41 4.13			
Kopak 53 2.88 Oklak Copper 39 3.83			
Johnson Products 36 4.25 TIE Communications 39 6.00			
Servotonics 29 9.38 Genlico Industries 31 3.25			
Cook International 29 13.50 Pico Products 31 4.13			
Over the Counter: Compiled by Capital International. Prices in pence			
Balteck 83 10.50 Unimed 60 4.25			
Energy Reserves 76 6.13 Florax Int'l 51 4.13			
Decision Systems 69 3.38 Sperti Drug 49 5.00			
Cadec 67 3.13 Peak Health Care 40 11.63			
Old Kent 64 32.88 United Education 40 3.75			
London Stock Exchange: Compiled by Capital International. Prices in pence			
Currys 28 529 Johnson Matthey 55 68			
Cable & Wireless 23 421 Dunlop Holdings 27 24			
Lucas Industries 19 282 Bank Ireland 20 240			
Hambro Life Insurance 18 471 Courtaulds 13 117			
Amerham International 18 343 Plessey 10 206			
Heppworth Ceramic 16 151 Allied Irish Banks 10 123			
Associate Newspapers 16 458 Ultramar 9 238			
British Comm. Shipping 15 221 BSR International 8 146			
Marley 15 95 Boots 7 186			
Cookson Group 14 453 Barratt Developments 6 88			
Tokyo Stock Exchange: Compiled by Capital International. Prices in yen			
Toho 60 13,790 Daiichi Sylaku 15 1,900			
Kikkoman 38 840 Alcos Electric 13 1,990			
Shokusei Jutaku Sogo 23 258 Ebara 12 342			
Nippon Fire & Marine 22 375 Ono Pharmaceutical 12 7,700			
Sumitomo Bank 22 1,570 Ricoh 12 980			
Daiichi Kogyo Bank 19 1,260 Brother Industries 11 740			
Nippon Gakki 18 1,510 Shin-Etsu Chemical 11 1,110			
Bank of Tokyo 18 578 Hitachi Axell 11 2,780			
Hokkaido Tokushoku Bank 17 350 Chiyoda Chemical 11 728			
Sumitomo Marine & Fire 16 625 Hazama-Gumi 10 416			

London Stock Exchange:			
Compiled by Capital International. Prices in pence			
Currys 28 529	Johnson Matthey 55 68		
Cable & Wireless 23 421	Dunlop Holdings 27 24		
Lucas Industries 19 282	Bank Ireland 20 240		
Hambro Life Insurance 18 471	Courtaulds 13 117		
Amerham International 18 343	Plessey 10 206		
Heppworth Ceramic 16 151	Allied Irish Banks 10 123		
Associate Newspapers 16 458	Ultramar 9 238		
British Comm. Shipping 15 221	BSR International 8 146		
Marley 15 95	Boots 7 186		
Cookson Group 14 453	Barratt Developments 6 88		

Tokyo Stock Exchange:			
Compiled by Capital International. Prices in yen			
Toho 60 13,790	Daiichi Sylaku 15 1,900		
Kikkoman 38 840	Alcos Electric 13 1,990		
Shokusei Jutaku Sogo 23 258	Ebara 12 342		
Nippon Fire & Marine 22 375	Ono Pharmaceutical 12 7,700		
Sumitomo Bank 22 1,570	Ricoh 12 980		
Daiichi Kogyo Bank 19 1,260	Brother Industries 11 740		
Nippon Gakki 18 1,510	Shin-Etsu Chemical 11 1,110		
Bank of Tokyo 18 578	Hitachi Axell 11 2,780		
Hokkaido Tokushoku Bank 17 350	Chiyoda Chemical 11 728		
Sumitomo Marine & Fire 16 625	Hazama-Gumi 10 416		

A Closer Look At High Tech In Hong Kong

By Dinah Lee

JUST over a year ago, Hong Kong's electronics stocks were enjoying a budding romance with the local market. New issues were coming to market at a brisk pace. Profit forecasts looked promising. And investor demand was high.

Since then, however, the relationship has been anything but tranquil. Earnings among electronic companies have proved disappointing, and the sector boasts one of the highest rates of corporate failures in Hong Kong.

Moreover, a recent scandal in the industry has done little to brighten the sector's reputation. Alex Au, the founder and former chairman of Conic Investments, once the largest of Hong Kong's electronics companies, has been accused of mismanagement that contributed losses of \$74 million (US\$47.7 million) in 1983.

Specifically, Mr. Au is alleged to have borrowed excessively from the publicly traded holding company to provide funds for privately held subsidiaries. Mr. Au has left the colony; his whereabouts are unknown.

Still, experts say the electronics sector cannot be totally discounted. And recent setbacks have created some undervalued bargains for selective buyers.

The outlook for electronics was rosy in July 1983 when a series of new issues came to the market. Investors, bored with blue chip banks and wary of the collapsed property market, saw electronics as an opportunity to enter the local industrial sector. Although underweighted in the property-dominated Hang Seng index, the industrial sector has fueled the colony's phenomenal growth, which is forecast to reach 8 percent this year.

Inexperienced technology investors were dazzled by the glamour of high-tech stocks and were hoping the fledgling sector would duplicate the success of Japanese technology companies. And generous profit forecasts whetted the appetite.

Not surprisingly, subscription levels for new stocks reached 10 to 100 times the number of available shares.

Enthusiasm was so high that for a time last winter it seemed that any product using electricity could profit from being added to the "high-tech" list. Companies with little more than low-tech assembly operations came to the market for capital, promising high-tech expansion or diversification.

Indeed, the electronics sector in Hong Kong takes in a wide range of companies and includes makers of hair-dryer motors and radios, as well as companies that make high-tech products such as data-processing equipment.

Events have disillusioned many investors over the past year. Some companies ran into production problems after relying on erratic component supplies from neighbors like Japan or Taiwan.

More important, diversification plans have often proved inadequate.

These could prove a useful measuring stick when evaluating the industry and choosing electronics stocks.

Edmond Chan, an electronics expert at the Hong Kong Productivity Center, said that the colony is weakest in the highly profitable aspects of electronics marketing and product development, distribution and after-service.

In the meantime, the general shakeout in the industry over the last year has underlined some of the sector's basic shortcomings.

Analysis advise investors to be very discriminating when buying electronics stocks in Hong Kong. Individuals should closely study a company with an eye to management's aims. Some companies may have only short term goals now that China has reached an agreement with Britain to take over sovereignty of the colony.

"Let's face it," said a British broker who declined to be identified, "we'll see a lot of these companies trying to unload some of their holdings over the next couple of years to reduce their exposure to political developments."

In a similar study, Vickers da Costa said that the recent shakeout in the industry is forcing remaining companies to move up-market into high-added-value products.

Experts at Vickers da Costa said the movement is not limited to the consumer electronics field. It is widespread, they said.

"For the moment short-term prospects are bright," Vickers concluded in its study. "Longer term, while we cannot dismiss the likelihood of the industry finding itself in a narrow, low-margin production cycle, we are cautiously optimistic."

Of 10 companies analyzed in the report prepared by Hoare Govett, only minicomputer makers Johnson and BSR International PLC were recommended. Both also head the buy list of Vickers da Costa, which estimates the price/earnings multiples of BSR and Johnson at 8.8 and 9.0, respectively.

Vickers da Costa also favors battery maker Gold Peak and Everlast Industrial Enterprise and Shell Electric, ceiling fan manufacturers that are profiting from sales in the United States.

Moreover, some analysts suggest that the rapid growth of electronics over the past five years was largely a result of the economic recovery in the United States and the weak Hong Kong dollar. Now that American economic growth is slowing, earnings growth may suffer, according to some observers.

"You have to ask yourself whether these glamour stocks can

succeed for research and development and private investment in the long run," said Vickers da Costa.

Hoare Govett, the stockbrokerage, recently published a study that said research and development should improve, "but the companies which will be successful in generating high rates of earnings and dividend growth for the shareholder in the next few years are those that have already devoted resources to those areas."

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REAL ESTATE

Feeble Franc Enhances the Discreet Charm of Paris Apartments

Foreigners find that bargains abound, amid the thickets of red tape and tedious transactions

By Jonathan Gage

THE LEAVES are off the trees, the air has taken on winter's damp, and temperatures plunge as low as the French franc.

But in Paris, it is spring in the hearts of foreigners yearning for a good buy in real estate.

They are hunting small pied-à-terres near the venerable Place des Vosges, stalking luxurious duplexes overlooking the rain-gorged Seine, lying in ambush for homes de bon standing on Avenue Foch near the Bois de Boulogne. And, yes, even picking off loft space in the bohemian Basfille district.

The buyers are not just romantics afflicted with optimism over prospects for a rebound in France's depressed economy.

They are hard-nosed investors, and they will be heartened by new figures showing that it is not too late to cash in on an abundant supply of low-priced apartments in many quarters of the French capital.

For years, French real estate agents have been saying that now is the time to buy. Paris's *notaires*, the officials who put the seal of law on realty transactions, recently provided some statistical support.

While sales of existing (non-new) vacant apartments in the first half of 1984 have remained even with those in 1983, the prices, on average, have not kept up with inflation, the Chamber of Notaries says.

Prices per square meter for these apartments have risen only 2.2 percent in the first six months of this year, compared with inflation of about 3.7 percent.

And Paris prices were already a bargain compared with those in other major cities of Europe, Asia and the United States.

For buyers with dollars to spend, on apartments sold in francs, the Paris market has grown increasingly seductive.



A view of the Quai d'Orléans on the Isle St. Louis.

At the end of the first half of '84, the average apartment price in Paris was 7,902 francs per square meter — about \$840 per square meter, or \$75.60 per square foot.

"Since September, I've seen perhaps 40 to 50 people looking to buy apartments here," said an officer at a major American bank in Paris. "About one-third of them are going with a sale."

"Right now is a most inviting time to buy," he said. "I don't think it will last, either. Prices will go up or the dollar will go down, or both."

The good news, then, is that there is an abundance of desirable apartments in many of the vibrant, historical and charming neighborhoods of Paris.

The down side, for some, are French laws and regulations that can make transactions tedious and financial rewards uncertain.

Conversations with bankers, agents and *notaires* indicate that the 8th and 9th arrondissements, particularly in their northern sectors, are currently underpriced.

Much of the smart investment money in recent years has been put into small apartments — those of about 40 to 60 square meters — which have then been renovated and resold or leased.

The *notaires*' figures for 1984 show purchases of two-room and studio apartments still on the rise, taking one-third of the market, although they account for only about one-fourth of Paris's apartments.

However, local real estate agents say that many investors are now leaving the smallest apartments to the mom-and-pop speculators, who must look at upwards of 50 units for each one that is eventually purchased and renovated.

"The mood for studios and *déco-pièces* is completely over," says Guy Marty, a housing analyst for Crédit Commercial de France. Much of the smart money, he says, has moved to the larger, more expensive apartments.

Likewise, certain quarters of Paris have reached their prime in the current market. The Marais, one of the oldest sections of the city, has passed from royalty to ruin and now back to affluence through a process of gentrification. Developers caught on to a good thing there in the 1960s, and high prices followed.

A short distance away, across the Place de la Bastille, traditionally considered the launching pad of the Revolution of 1789, another upheaval is under way.

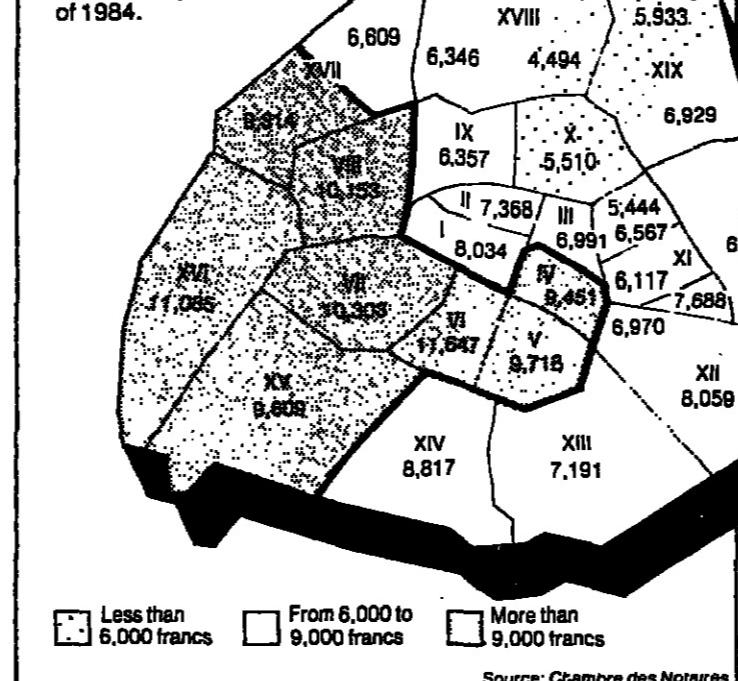
There, in the 11th and 12th arrondissements, artists, photographers, architects and artisans are carving loft space from the centuries-old studios of the city's woodworkers and cabinetmakers.

With construction just starting there on Paris's massive new public opera house — known locally as the "Pop Op" — some apartment buyers expect a boom in bohemia. Prices in the 12th, perhaps for related reasons, took a sharp rise this year, and in the 11th arrondissement prices continued their slow and steady rise.

Overall, the *notaires*' 1984 analysis shows, prices per square meter have held their own against inflation "a little better in the expen-

Neighborhoods and Prices

Average prices in French francs per square meter for existing apartments in the 20 arrondissements of Paris during the first half of 1984.



Source: Chambre des Notaires

sive arrondissements than in the *bon marché* arrondissements."

Here are the 1984 trends in real-term prices per square meter, by arrondissement:

■ At the relentlessly upscale end of the market, prices have increased a bit faster than inflation in the 4th, 5th and 16th arrondissements.

■ In the 8th, they have risen like an Ariane rocket, perhaps making up for a lag from the beginning of 1981 until the middle of last year.

■ On the Left Bank, in the 6th and 7th, just west of the *Quartier Latin*, there has been a slight decrease in real-term prices, which remain, however, among the highest in the city. The decrease may be the result in part of a particularly strong jump in the preceding period, the *notaires* say.

■ Among middle-range arrondissements, real prices dropped slightly in the 13th and 17th. There was "complete stagnation" in the 15th. Prices rose strongly in the 14th after dropping sharply last year.

■ In the less-expensive 10th, 18th, 19th and 20th, prices stayed even or rose slightly. In the 9th they took a sharp jump after falling in 1983.

■ HESE price averages are very general because of the contrasts within each arrondissement. The 16th, for example, encompasses the lush and heady diplomatic environs of Avenue Foch in the north as well as the generally repugnant factory ambience in a small chunk of the arrondissement's neither end.

Overall, the averages seem low to many observers of the local market. Some suggest that the reason for this is that sellers sometimes encourage a small portion of the actual sale price to be offered under the table.

It is important, above all, for the prospective buyer to work closely with a competent *notaire*, tax attorney and real estate agent to navigate the morass of potential problems.



The Place des Vosges in the Marais district of Paris.

tion or removal of funds by foreigners after the sale of property in France. These funds, technically, can be held by the central bank for five years to ascertain that no taxes are owed.

In practice, however, sellers can take their funds from France after appointing a French-resident representative — called a *personne morale* — to accept responsibility. This can be accomplished through a banker or attorney in Paris, for a fee.

■ The relatively few nonresident foreigners whose home countries have no tax treaties with France are liable for a 3-percent annual "forfeity income tax" on overall holdings. This tax, as one banker noted, is to avoid "shadow residents" who own French property to avoid paying income taxes elsewhere. It is often circumvented by the presentation of proof of taxes paid in a home country.

A few resident foreign buyers will be able to take advantage of newly relaxed rules on heavily subsidized loans. The PAP or *préconventionné* loans, handled by the Crédit Foncier

agency (see Useful Addresses box), have been extended to include medium-income buyers and a broader variety of situations.

The loans offer rates of about 12 percent — compared with standard rates of about 17 percent — on up to 90 percent of the loan amount.

Strict rules apply, including price per square meter, proportion to be spent on renovation and income of the recipient.

One voice of caution is that of Bill Meeker, American owner of Meeker Développement de Paris.

"Do not invest in France with the idea that you're investing in your own home country," he says. "The laws here are not geared to making capital gains. The people and the laws don't understand speculation. It won't really work unless you make a full-time investment of it."

Still, Mr. Meeker says, "for those holding dollars or other high-value currencies, this is the time to invest if you want to unload or to buy Paris property for personal reasons."

"The market," he counsels, "will not go down from here."

Some Useful Addresses

CHAMBER OF NOTAIRES
1 Blvd. de Sébastopol,
Paris
Tel. 233.17.02 (recorded
message only)

CRÉDIT FONCIER
Center of Housing Information
4 rue des Capucines, Paris
Tel. 261.50.29

- General information on legal procedures for purchasing property in Paris.
- Listing of accredited notaires in Paris, by arrondissement and of the surrounding departments.
- Regular auctions of apartments, building property. Write for the chamber's regular listing of available properties. "Bulletin National de Prochaines Séances."
- Personal interviews and printed information on conditions for qualifying for "PAP" or *préconventionné*, low-interest subsidized loans for new and renovation property.

How much does it cost to change your mind?



As anyone who pursues an active international investment policy knows only too well, switching capital between different investments can be an expensive (and inconvenient) business.

The cost (and the amount of paperwork involved) can soon become burdensome when dealing charges, stamp duties and capital gains tax are taken into account.

The Capital Strategy Fund offers a completely new alternative to international investment — an approach that dramatically cuts the cost of moving your investments around and yet is very simple to administer.

An international portfolio

Through the Fund, which is listed on The Stock Exchange, you can invest in a wide range of international equity, currency and specialist funds, which together form the basis for a diversified international portfolio.

The Fund allows you to spread your capital across whatever mix of funds suits your investment aims and reflects your view of current economic conditions.

Most importantly, the Fund also allows you to switch your capital between funds free of the following charges:

- * Stamp duty
- * Dealing charges
- * UK capital gains tax.

What charges are involved? It has become the practice for fund managers to pay a fixed commission to the adviser when an investment is made; this sum is rebated from the initial charge.

In the case of the Capital Strategy Fund, however, there is no fixed "front-end" commission. This leaves you the investor free to negotiate commission and management charges directly with your adviser.

In another break with tradition, Shares in the Fund are traded at a single price based on net asset value.

The annual management charge made to investors by Gartmore is a fee of 0.75% of the amount invested. (Minimum initial subscription of \$25,000 or the equivalent in any freely convertible currency).

Dealing is conducted daily. Applications, conversions and redemptions are speedily and simply administered, with a minimum of paperwork.

The Capital Strategy Fund is managed by Gartmore Fund Managers International Ltd, a member of the Gartmore Group which manages funds in excess of £2.2 billion.

To find out more about the Fund, please consult your adviser. Alternatively, complete the coupon or telephone Neil Millward on 0534-27301 or telex on 4192030. GARTTY Giving the name of your adviser if you have one. We'll send you a Prospectus on the basis of which alone applications can be made.

Gartmore

CAPITAL STRATEGY FUND LIMITED

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EC1N 6RT
Tel.: 01-404 0970

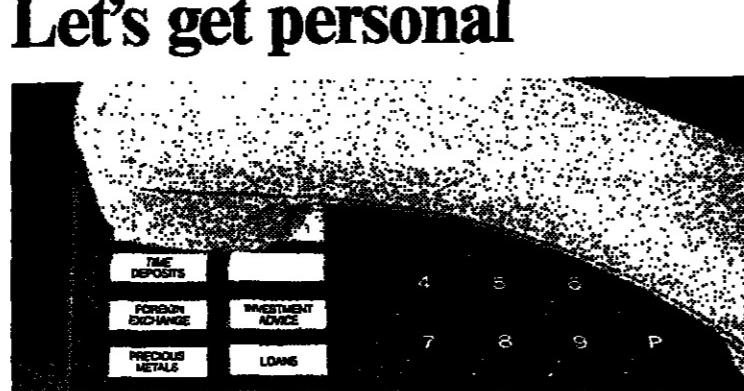
CAPITAL STRATEGY FUND LIMITED

Gartmore Fund Managers International Limited
6 Caledonia Place, St Helier
Jersey, CI - Tel: 0534-27301
Telex: 4192030

Fund	Price*	Yield (%)
Sterling Dep.	£ 1,013	0.89
U.S. Deposit	\$ 1,057	0.59
DM Deposit	DM 50.94	4.42
Yen Deposit	¥ 512.80	5.45
Sfr. Dep.	SF. 5,056	2.00
N. American	\$ 1.03	0.50
Japan	\$ 1.24	0.60
Pacific Basin	\$ 1.13	0.40
Int'l. Growth	\$ 0.99	0.40
British	£ 1.10	2.00
Sterling Gil.	£ 1.11	2.20
Int'l. High Income	\$ 0.97	12.00
Yen Govt. Bond	¥ 1,165.00	3.20

*Prices as of 6/12/84.

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SOMETHING DIFFERENT



Kala Dancer, right, galloping to victory in the Dewhurst Stakes.

PROFILE

Ben Rosen: Coexisting With A Tougher IBM

Few people have seen the technology business from as many angles as Benjamin M. Rosen. He has held corporate and research posts, written a newsletter on the electronics industry, founded his own consulting firm and capped a career as a financial analyst with a five-year stint at Morgan Stanley. During his 15 years on Wall Street, he was named the top electronics analyst six times in a row in Institutional Investor's annual rankings. In 1981, the bullish analyst with a dry wit became a partner of Sevin Rosen Management Co., a venture-capital firm that has invested in 28 start-up companies. Mr. Rosen is a director in several of those companies and chairman of Compaq Computer Corp.

In an interview in his Manhattan office, he observed that the U.S. venture-capital scene has attracted an "incredible degree of interest in Europe and Japan." Key ingredients in the U.S. success, he said, have been "a very strong capital market" and "an entrepreneurial culture that makes it possible for talented engineers to leave large companies and start their own companies." On other topics:

Q. Question. A lot of the technology companies that went public in 1983 ended up in difficulty and investors got burned. Has that hurt the venture-capital industry's momentum in the United States?

A. Answer. The venture-capital industry is very much alive. Just to give you a perspective, the amount of money raised in a decade has gone up from \$40 million to \$4 billion last year. A very substantial amount of new money is being raised this year. A large part of that gets invested every year in new start-ups. So, there's still quite a bit of vibrancy in the industry.

There's still some reaction in the industry to the excesses of the first half of 1983. During that period, any group that wanted to could get funded by a venture-capital firm and almost anything that wiggled could go public. So we had this excess of both the public and private markets. A lot of that excess is being worked off right now. But by and large the industry is still extremely vibrant.

Q. Q. Do you think investors simply failed to grasp the risks of investing in these young companies and are now taking a more realistic attitude?

A. A. I think a lot of people have underestimated the risks, including venture-capital firms and underwriters. And certainly if we underestimate the risk, the public is even in a worse position than we are. It really has to be looked at as a lot of companies that won't do very well — because you're competing against very large companies — and a few companies that will do quite well.

Q. Q. Why is that?

A. A. There's a new risk factor. A lot of the venture capitalists are into aspects of the personal-computer industry — hardware companies, software companies, networking companies, all sorts of manifestations of this new phenomenon. And this is an industry that has several hundred personal-computer hardware companies, several thousand software companies, and new companies coming all the time. That alone would be risky. But the newest factor is that IBM is beginning to predominate in the industry, has become extraordinarily aggressive, wants to compete in every aspect of it. It wants to be in hardware, wants to be in software, wants to be in networking, wants to be in retailing.

The posture is more aggressive than IBM has ever been. It's not only going into all these fields, but it's buying controlling interest in component companies that supply it, the ROLM and Intel kind of companies. It's acquiring companies and as a result many of the smaller companies that



Mr. Rosen in Manhattan office: 'There are new risks.'

industry because all the innovation has come from outsiders — from the Microsofts, from the Lousises, even the Apples, the Compaggs.

The only way to compete is to have a better product and have your marketing channels established. If you just have a duplicate of what IBM has, there's no way you can make it. You don't have to sell at lower prices; we don't sell at lower prices than IBM. That strategy is a losing strategy, trying to sell just on price.

Q. Q. But what about the software field now?

A. A. The software field is going the way of the hardware field now. IBM has decided three years after it went into hardware to go into software, aggressively. And you're going to see the same sort of competition here that you are seeing now in hardware.

Q. Q. Does that mean that the basic question an investor should ask about a computer company is: Where does it fit relative to IBM?

A. A. Well, I think it's more so in the computer area than in the semiconductor area. I think generally you can say of all technology, and I think that one of the reasons that technology price/earnings ratios are depressed, not only because of some of the poor performance of so many companies, but also the IBM shadow. It's done a good job of spreading FUD — Fear, Uncertainty and Doubt — not only among its competitors but also in the investment community. And the irony is not only that all the P/E ratios of all its competitors are depressed, but even IBM sells at a modest ratio now. It's almost 'a pox on all your houses.' They've spread so much FUD that it's coming back home to roost a bit. So I think that's something that investors not only should but have been looking at.

Q. Q. It sounds like you are saying that there won't be as many personal computer companies around in a few years.

A. A. The reason is because most personal computers these days get sold by retail computer dealers. A computer dealer can typically support three or four, maybe five, different brands. Almost every major dealer in the U.S. carries IBM, Compaq and Apple. That leaves one or two places open. And we have 100 companies. I think what you're seeing now is the separation of IBM, Compaq, Apple as the big three.

Q. Q. Is that what you're describing just an old-fashioned battle for shelf space?

A. A. It's absolutely a battle for shelf space. It has similarities with the consumer-goods business. Unless you can get shelf space, the best you can do is like people like Digital Equipment are doing, which has largely withdrawn from retail and is focusing mostly on its own direct-sales force. And there you just have to be content with just satisfying your own mainframe customer base with personal computers.

One of the problems for a lot of those companies is that the computers aren't standard so that they have to get all the software coded over to run on that computer. It's going to be very difficult for the distribution arm of the marketplace to support many players. Tandy has its own distribution network, so they'll keep going. Then you've got IBM, Compaq and Apple.

Q. Q. Any final advice to those investors sizing up computer companies?

A. A. Anybody that does should probably visit his cardiologist first.

Q. Q. It's that tough?

A. A. Well, there are clearly rewards to be made. Right now there is a lot of uncertainty. The opportunities, historically, for investors to make money is to be bold during times of uncertainty. The way you lose money is you go into the euphoria such as that of 1983 and you buy companies at historic highs when optimism is rampant. During the 15 years that I was an analyst, one thing I came away with is the need to look at the market during times when everyone is pessimistic and to pick out the best companies in the field. Look at the fundamentals and ask whether this company is a survivor, does it have good strategy. And then, when everybody is saying no, you say yes.

Appraising 2-Tier Art Market

(Continued from Page 7)
the prices will stop rising for the works that meet their criteria. It is only clear that it cannot continue indefinitely.

In the short term, say under two years, the best bet for buyers who think in extremely large sums will remain the Old Master paintings. This does not mean the greatest such as Rembrandt or Raphael. Virtually everything in that category is anchored in museums. But there are still offerings in the rank immediately below them.

A splendid buy in November was the portrait of the Duchesse de Grammont-Caderousse done in 1784 by Madame Vigée Le Brun.

It is one of four or five of the best she has done and it is documented in her memories, "Souvenirs."

The large portrait is therefore a potential target for a museum and will probably be resold far in excess of the 7.5 million francs it brought in the Paris sale.

But there are also areas worth investigating in lower brackets, from \$20,000 to \$200,000. One example is Chinese archaic bronzes.

The supply was virtually cut off for 35 years and very few objects

were smuggled out until a new

miniature is impossible, while the problem does arise in the Islamic objets d'arts.

Potential markets must also be considered. Chinese art will find buyers in the United States, Japan, England, Sweden, Singapore and Hong Kong. Islamic art has incomparably fewer buyers in the West and in the East. They are almost exclusively found in the Gulf countries, whose economic power and stability does not yet compare with the United States, Japan or Britain.

In the final analysis, no beginning collector should shake money on art before acquiring experience and some serious expert advice. It is never just a matter of knowing what sells. The buyers must be able to form their own judgment as to the condition of the work of art, even though salesrooms assure their clients that they will oblige with a condition report on request.

Assessing condition alone requires considerable experience. It is a major factor in determining the value of any work of art.

The writer is a regular columnist for the International Herald Tribune.

Betting on the Horse Business

By Lynne Curry

LAST year, Snuffi Dancer, a 2-year-old colt and son of the famous champion racehorse Northen Dancer, was auctioned in the United States for \$10.2 million to a sheikh from Dubai. It was thought to be the highest price ever paid for a horse.

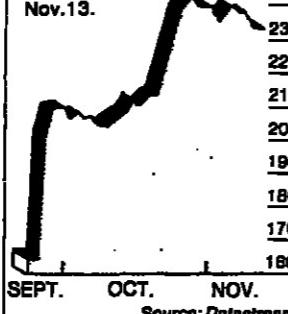
Such astronomical prices are one reason that breeding, racing and investing in thoroughbred horses has long been the preserve of the very rich, the privileged and the powerful. Their ranks range from the queen of England, who owns a breeding farm outside London, to Greek shipping tycoons and Arab princes.

But recently it became possible for the horse lover who possesses neither royal blood nor an immense fortune to experience some of the glamour and excitement of the world of thoroughbreds. When British Bloodstock Agency went public last September on London's Unlisted Securities Market, the investor who aspired to the horse set found a way to indulge his fantasy on a modest scale.

"There are a lot of people whose dream it is to own a horse, but their financial situations preclude them from doing so," says Christo Philipson, the managing director of BBA. "One of BBA's best known customers is Robert Sangster, who made his fortune by running British football pools and is believed to own 200 to 300 horses. One of them, Royal Heroine, recently won the million-dollar purse in one of the Breeders Cup races at Hollywood Park, California. BBA primarily advises him on the purchase of horses and acts as his agent.

Breeding Will Show

Share price in pence of British Bloodstock Agency since its introduction on the Unlisted Securities Market through Nov. 13.



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Another BBA client is Ravi Tukoo, who owns a fleet of oil tankers and a dozen horses. One of them, Kala Dancer, recently won the Dewhurst Stakes for 2-year-olds in Surrey, England. BBA originally bought the colt for about \$11,550 (about \$14,400). But after his success, Dewhurst estimates

of the horse's value have risen to \$15 million to \$20 million.

Formed in 1911, BBA is believed to be the world's oldest and largest established bloodstock agency.

Over the last five years the BBA Group has bought more than 850 horses destined for more than 25 countries.

Despite its international scope, BBA is a fairly small company. Its volume rose 14 percent through the fiscal year ending March 31, 1984, to £4.75 million, while its pretax profit gained 30 percent to £1.27 million during the same period.

Analysts said investing in BBA is less risky than buying shares in other bloodstock companies whose sole function is to breed champion racehorses, a chancy proposition under the best of circumstances. In addition to its syndicate and dealing activities, BBA insures and ships horses, researches pedigrees and manages racing and breeding interests.

"BBA has always been looked upon as the crème de la crème of the bloodstock companies," said Tom Daniels, partner of De Zoete & Bevan, a London stockbrokerage.

Mr. Daniels added that BBA is able to take advantage of a very buoyant bloodstock market, noting that recent prices have been extremely high. Last year, for example, at the Keeneland Summer Sales in Lexington, Kentucky, BBA bought 24 yearlings for nearly \$36 million, each horse fetching an average price of \$1.49 million. At the same sales in 1979, BBA paid \$12.36 million for 33 horses with each yearling commanding an average \$375,000 apiece.

Although BBA is in a unique position and its investors have done well, it remains a novelty among USM stocks. With much of its revenue dependent on the swings in bloodstock prices, brokers do not usually recommend it unless clients are genuinely interested in the horse world.

When BBA was first traded on the USM, the price of its stock soared from 165 pence to 210 pence. Then in the latter half of October, brokers scrambling for its shares pushed up the price to a high of 243 pence.

With only 25 percent, or about 550,000 shares, of the company in public hands, demand outstripped supply. Analysts said this situation is typical of USM stocks where shares are often in limited supply.

Still, it has remained a fairly popular stock, and those who have bought its shares have not necessarily been wealthy, according to Jon Sachs, a partner at Sheppard & Chase, the company's brokers.

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With only 25 percent, or about

BUSINESS/FINANCE

MONDAY, DECEMBER 10, 1984

Page 13

EUROBONDS**Investors Abandon Market; Accounting, U.S. Rates Cited**

By CARL GEWIRTZ

International Herald Tribune

PARIS — Investors abandoned the Eurobond market last week, leaving in the hands of underwriters the new issues that were launched. Analysts attributed the lack of demand to year-end bookkeeping pressures, which distract institutional investors from making new commitments, and to renewed concern that U.S. interest rates have fallen as far as they are going to.

The growth in the U.S. money supply since the latest easing by the Federal Reserve has been sharp, and the numbers are now back to the middle of the Fed's target growth range, up from the bottom.

Those developments, coupled with the latest news that employment is again accelerating, give analysts no immediate reason to see why the Fed should continue to ease its reins on credit — at least not until the effect of the recent moves on the pace of economic growth becomes clear.

Thus there is great suspicion that terms offered on the latest fixed-income dollar bonds do not offer adequate compensation.

The only exception was Marubeni's \$100-million of 11 percent notes due in 1991, which ended the week at a modest discount of 3/4-point. However, traders attributed this good performance to the continuous demand from Japanese investors for paper of Japanese companies.

CBS, a rare U.S. corporate issuer, attracted the Swiss, but even so the \$100 million of 1992 notes, which were offered to yield 11.47 percent, ended the week at a discount of 1 1/4 points.

But name recognition did not help United Technologies, which tumbled 2.9 points on its \$150 million of 11 1/4 percent notes due in 1992. These were priced to yield 11.47 percent.

HAMMERSON Property Investment & Development and the Federal Home Loan Bank also ended the week at very steep discounts of 2 1/2 points.

Hammeron, a large British property developer, suffered from being poorly known, while Federal Home, in another of the targeted registered issues by U.S. government-sponsored agencies, ran into trouble because of its ungenerous pricing and continuing investor resistance to registered paper.

Its \$200 million of 11-percent notes due in 1989 were priced at 99 1/2 — equal to 18 basis points more than comparably dated Treasury paper was selling in New York.

In New York, Federal Home paper would normally be priced to yield at least 20 basis points more than Treasury issues, and by the end of the week it was trading at the equivalent of 24 basis points more.

Standard Oil of Ohio, in what may be the last warrant issue until the interest-rate outlook reverses, tried a new gimmick: discount bonds.

This is aimed to appeal to investors who fear that if interest rates fall, the price of high-coupon bonds will never rise fully to match the drop in rates because of traditional market resistance to paying premiums of more than 15 percent on straight debt.

Soilio's \$150 million of four-year notes were priced at 97 1/2, meaning that investors need only put up \$977.50 for each \$1,000 in nominally-valued security. The notes carry a coupon of 10 percent. The yield is 11.23 percent — a level that the market deemed inadequate, as the price tumbled 2 points to 95 1/2.

Soilio's four-year warrants, offered at \$25 each, can be used to buy noncallable 10 percent bonds due in 1992. The exercise price ranges from a discount of 93.04 in the first year to 96.36 in the fourth year. This is designed to produce a constant purchasing yield of 11 1/2 percent.

But the plan did not fire up investors, and the warrants ended the week quoted at \$15-\$18.

The floating-rate-note sector fared little better. While these instruments are perceived as the safest protection against rising interest rates, the market suffered from a glut of new issues inadequately priced to reflect differences in quality or public perception.

The worst received was First City Bank of Texas, a holding company whose major unit is First City National Bank of Houston. Its \$100 million of 1995 notes carry a coupon of 3 1/16 percent over the three-month London interbank offered rate, and this level was deemed inadequate to reflect the single-A credit rating.

The notes ended the week at 98.55-75, representing a loss for (Continued on Page 13, Col. 4)

TI Plans January Layoffs**Firm Cites Drop In Chip Demand**

By Eric N. Berg

New York Times Service

Eurobond Yields
For Week Ended Dec. 5
U.S. long term, int'l. inst. 11.23 %
U.S. long term, ind. 12.19 %
U.S. long term, term ind. 11.18 %
Cans medium term 11.26 %
French Fr. medium term 11.47 %
Yen int'l. inst. 7.12 %
ECU short term 10.13 %
ECU medium term 10.29 %
EUA long term 10.29 %
Flx term, int'l. inst. N.A. %
Flx medium term N.A. %
Calculated by the Luxembourg Stock Exchange

Market Turnover
For Week Ended Dec. 7
U.S. Dollars
Total Dollar Equivalent
Cables 12,458,40 10,085,59 2,978,10
Eurocables 34,045,40 32,205,70 4,200,00

Non-dollar

Source: Ward's Automotive Reports

The New York Times

Source: Department of Energy

The New York Times

Source: Ward's Automotive Reports

The New York Times

Source: Department of Energy

The New York Times

Source: Ward's Automotive Reports

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Source: Department of Energy

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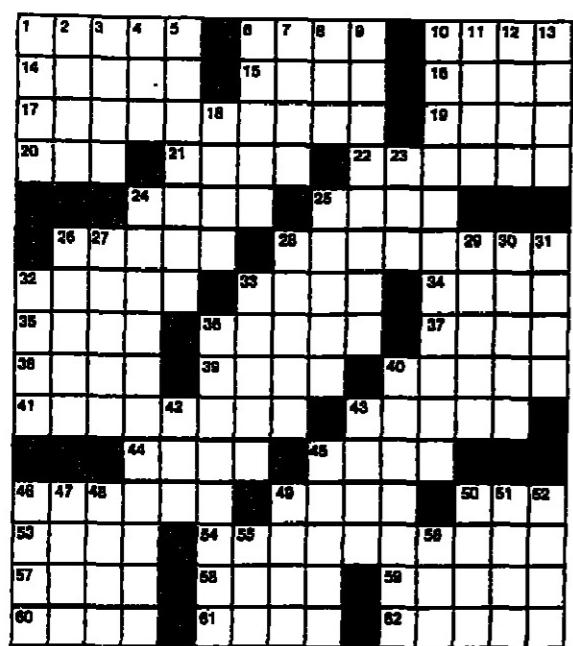
Source: Ward's Automotive Reports

Over-the-Counter

B									
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BokPn	1.026	24	111	21	21	21	21	DickenB	5 4
BomLly	.88	18	18	42	—	—	—	Dickey	94 1114
BomLly	1.09	109	104	104	104	104	104	DistrRs	40 2
BomLly	730	1576	1576	1576	1576	1576	1576	DimmBl	117 4
BomO pt	5.50	9.7	157	551	551	551	551	DimeEic	217 3
BmPanc	2.24	46	14 344	34	34	34	34	Distrib	216 4
BonCo	2.20	57	46 304	321	321	321	321	DontTl	216 5
BocKli pt	2.50	11.0	61 221	221	221	221	221	DomAf	216 6
BkTx Cx	1.46	11.5	42 121	121	121	121	121	Domovn	134 7
BkDew	2.88	53	158 49	4716	49	49	49	Dosckn	20 1774
BkGrn	1.32	1.3	16 18	17	15	15	15	DoteEs	426 8
BkLtu	—	—	215	14	14	14	14	DoteEs	141 9
BkMons	3.40	10.3	9 24	34	34	34	34	DressBr	40 10
BANHm	1.12	45	128	2712	28	28	28	DressBr	64 11
BkSsu	1.20	20	2227	2227	2227	2227	2227	DressBr	63 12
BkTess	1.20	43	157	84	84	84	84	DressBr	52 13
BkfPsi	—	—	205 214	214	214	214	214	DressCn	112 14
Bt-SC	1.40	3.8	526 3624	344	344	344	344	DrugS	311 15
BkHng	1.56	37	50 44	416	424	424	424	DualLs	829 16
BkLwaw	0.50	10	10 202	202	202	202	202	Dumas	69 17
BorbGr	1.00	34	44 29	36	36	36	36	DusSv	196 18
Borden	227	314	314	314	314	314	314	Durakn	465 19
Borris	1.36	74	712	712	712	712	712	Durifh	165 20
BstNb	1	29	712	712	712	712	712	Durifh	177 21
BosEsc	—	—	445 176	176	176	176	176	Dwight	358 22
BstRinf	—	—	3406 44	44	44	44	44	Dwym	59 23
Bostn	82	254	256	256	256	256	256	DynRns	49 24
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BovPoc	53	521	521	521	521	521	521	EIL Inst	340 1
BoyPd	1.26	4.0	52 31	31	31	31	31	EMAC Ins	126 2
BowCh	1.56	45	173 49	49	49	49	49	EMF	312 3
Bowley	.68	44	1 1514	1514	1514	1514	1514	EMPI	103 4
BfBfure	—	—	526 111	94	94	94	94	EZEM	78 154
BellW	.100	1.2	299 84	84	84	84	84	Eastmt	400 12
BellPtr	—	—	1 314	314	314	314	314	Eastmt	2022 13
Bewel	—	—	183 21	21	21	21	21	EastmF	40 14
Bennin un	—	—	18 38	38	38	38	38	EastmF	421 15
Berkley	.32	22	768 144	144	144	144	144	EastmG	40 16
Berkline	—	—	44 94	94	94	94	94	EastmG	213 17
BerkGs	2.00	10.3	29 1914	1914	1914	1914	1914	EastmG	134 18
BerkHo	—	—	620	225	225	225	225	EastmG	213 19
BibCo	.80	3.0	12727	2612	2612	2612	2612	EastmG	213 20
BinsKg	—	—	80 414	414	414	414	414	EldeB	22 21
Blamed	—	—	242 24	24	24	24	24	EldeB	513 22
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Birfir	—	—	103 474	474	474	474	474	Elmona	51 1412
Blito	.46	53	141 8	8	8	8	8	E&C Co	.11
Blisius	—	—	50 416	416	416	416	416	E&C Co	11 14
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Blomild	—	—	410 24	24	24	24	24	EmeCas	2384 23
Blomild	1.7	31	341 18	18	18	18	18	EmreIns	126 24
Blitzun	—	—	111 1114	1114	1114	1114	1114	EmreIns	126 25
Blusky	—	—	117 1114	1114	1114	1114	1114	EnrFor	11247 26
BombCo	—	—	147 524	524	524	524	524	EngInrt	32 554
BomHa	1.116121	229 994	994	994	994	994	994	EngInrt	279 1114
Bohema	.400	42	515 924	924	924	924	924	EngExa	118 314
BooleB	—	—	227 74	74	74	74	74	EngExa	109 1111
BoonEl	—	—	111 576	576	576	576	576	EngExa	118 314
BoothF	.20	1.5	125 204	204	204	204	204	EngExa	118 314
Bowthr	.184	4	171 2814	2814	2814	2814	2814	EngExa	118 314
Brahm g	.656	77	378	378	378	378	378	EngExa	118 314
BrahnC	1.20	4.4	157 2725	2725	2725	2725	2725	EqBqCp	.722 2.8
Bramit	—	—	610 176	176	176	176	176	EqBqCp	45 1854
Brenner	.43	5.4	29 1114	1114	1114	1114	1114	EqBqCp	5 196
Brentis	—	—	224 5	5	5	5	5	EqBqCp	526 124
BrckHil	.717	8.4	477 894	894	894	894	894	EqBqCp	613 1434
BrckRm	1.212	724	676	676	676	676	676	EqBqCp	212 249
BrownRb	—	—	157 994	994	994	994	994	EqBqCp	163 1072
BruceRb	.046	9	222 76	76	76	76	76	EqBqCp	261 1111
BuckyF	1.366	8.1	525 4354	474	474	474	474	EqBqCp	545 1254
Buttton	—	—	199 1114	1114	1114	1114	1114	EqBqCp	545 1254
Burnish	.146	5.5	221 76	76	76	76	76	EqBqCp	545 1254
Burnish	—	—	849 76	446	446	446	446	EqBqCp	545 1254
Burnish	—	—	339 1014	1014	1014	1014	1014	EqBqCp	545 1254
Burnish	—	—	344 76	76	76	76	76	EqBqCp	545 1254
Burnish	—	—	305 15	15	15	15	15	EqBqCp	545 1254
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CBTBc s	.56	25	4119%	197%	197%	+ Vt			174	446	446	446		
CCNB	.72	44	1721	21	21				101336	1376	1376	1376		
CCX Nt				614%	142%	142%			17	476	2476	2514		
COMB			541	115%	115%	115%			292610	2476	2476	2514		
CTG				124	12%	12%			75	75	75	75		
CVBFn	47r	7.7	14	9%	19%	19%	- 7%		81	24	20	24		
CobITV				36	3%	3%	3%		28	23	23	24		
Codmus	28	1.6	111714	17	17	- 12			28	25	19	20		
ColBla				172	51%	47%	47%		13	13	20	20		
ColFB	1.08	59	4118%	15%	15%	- 15%			125	2516	2516	2516		
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ColWrt s	2.60	87	20125%	25%	25%	- 25%	- 25%		48	43	2	2		
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Colm un				35	3%	3%	3%				2417	16	16	
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Conari	22s	7	1712314	30%	30%	- 30%			59	42	1917	20	20	
Conrad				34	6%	6%	6%		128	42	476	2514		
Consel				15	15%	15%	15%		57	50	21	21		
Consp	1.20	58	63125%	25%	25%	- 25%			24	24	24	24		
CorPSL				403	71%	71%	71%		52	52	52	52		
CorPm	25s	4.5	203	6	5	- 5%			11	11	11	11		
Corrie s				91312	5	5	- 5%		11	11	11	11		
Corrie				15	8%	7%	- 7%		11	11	11	11		
CoroCos				10	3	3	- 3%		11	11	11	11		
Corsein				273	4%	4%	- 4%		11	11	11	11		
Cocacode	1.40	2.2	7342	41%	41%	- 41%			11	11	11	11		
CentISv	20s	3.2	1	9%	9%	- 9%			11	11	11	11		
CentIn				21	12	12	- 12%		11	11	11	11		
CentIn				108	18%	18%	- 18%		11	11	11	11		
ChriJer	1.10	5.8	21619	18%	18%	- 18%			11	11	11	11		
ChriJer				49	9%	9%	- 9%		11	11	11	11		
ChriPoC	.04			306	5%	5%	- 5%		11	11	11	11		
ChriPoMn				177	5%	5%	- 5%		11	11	11	11		
ChriPoS	.06	3.6	77	8%	8%	- 8%			11	11	11	11		
CRSLVJ	1.12	1.7	149	7%	7%	- 7%			11	11	11	11		
CritisBn	3.48	12	1229	28%	28%	- 28%			11	11	11	11		
Centurh				1436	1%	1%	- 1%		11	11	11	11		
ChriPo s	.09	1.1	6%	8%	8%	- 8%			11	11	11	11		
Centril				22917%	17%	17%	- 17%		11	11	11	11		
Cervil				13811%	11%	11%	- 11%		11	11	11	11		
Cerron				513	1%	1%	- 1%		11	11	11	11		
ChmePt	.10	1.8	31	5%	5%	- 5%			11	11	11	11		
ChmeCo				249	4%	4%	- 4%		11	11	11	11		
Chmral				273	4%	4%	- 4%		11	11	11	11		
ChopeP	1.20	12.3	2012	7%	7%	- 7%			11	11	11	11		
Chorl				264	7%	7%	- 7%		11	11	11	11		
ChoriCp				64	7%	7%	- 7%		11	11	11	11		
ChriFdi	1.02	3.8	2422	26%	26%	- 26%			11	11	11	11		
Chorvess				149	10	9%	- 9%		10	+	10	10		
ChriHm	200	4.2	7919%	19%	19%	- 19%			10	+	10	10		
ChriHm				48	2.7	19%	- 19%		10	+	10	10		
ChriD	108	2.8	45	3%	3%	- 3%			10	+	10	10		
CheliF				892	3%	3%	- 3%		10	+	10	10		
CheliF				242	2%	2%	- 2%		10	+	10	10		
Chemix un				133	6%	6%	- 6%		10	+	10	10		
ChimFab				141	4%	4%	- 4%		10	+	10	10		
Chorkes				540	8%	7%	- 7%		10	+	10	10		
ChesiU s	1.60	4.8	7224%	23%	23%	- 23%			10	+	10	10		
Chesaco				113	5%	4%	- 4%		10	+	10	10		
Chirut				4610%	10%	10%	- 10%		10	+	10	10		
Chili				98321%	21%	21%	- 21%		10	+	10	10		
Chirid				9117%	7%	7%	- 7%		10	+	10	10		
Chirk	1.00	5.8	21617%	17%	17%	- 17%			10	+	10	10		
Chirin				2286	21	21	21		10	+	10	10		
Chirkic				30610%	10%	10%	- 10%		10	+	10	10		
Chirkic	017	1	34910%	10%	10%	- 10%			10	+	10	10		
Circlng	1.44	11.6	20112%	12%	12%	- 12%			10	+	10	10		
Ciscus	1.00	3.3	26130%	20%	20%	- 20%			10	+	10	10		
ChirFin				48	3%	3%	- 3%		10	+	10	10		
ChirkP				1017%	17%	17%	- 17%		10	+	10	10		

INTERNATIONAL HERALD TRIBUNE, MONDAY, DECEMBER 10, 1984



ACROSS

- 1 Director Lean
- 6 Porgy's woman
- 10 Predicaments
- 14 Actress
- 15 Porter or Portman
- 16 Monad
- 17 She played the Palace
- 19 Roy Rogers's wife
- 20 Demotion team's explosive
- 21 Narrative
- 22 Metalous's Place
- 24 Two-needed vehicle
- 25 Hind's mate
- 26 Composition
- 28 Poem
- 32 Jockey
- 33 Male guinea pig
- 34 San—, Italy
- 35 Powers or Wagner role
- 36 Allen's partner at the Palace
- 37 Majors and Grant
- 38 River into the Ouse
- 39 — More, With Feeling," 1969 film
- 40 Hearn's co-star at the Palace

DOWN

- 1 Dexterous
- 2 A ladd
- 3 Outlet
- 4 Hostel
- 5 Postdawn period
- 6 He played the Palace
- 7 Pa. city
- 8 Incite to attack
- 9 Emblems of authority
- 10 She played the Palace
- 41 Site of a famous rock
- 43 Colorful garden flower
- 44 Adjective affixes
- 45 Dr.
- 46 "A—the wise..."
- 49 Habes corpus, e.g.
- 50 Tokyo, formerly
- 53 Romanized
- 54 She played the Palace
- 57 Balcony's rich cousin
- 58 "NII— bonum"
- 59 — the "Titanic!" 1980
- 60 Evil look
- 61 Suffix with luncheon
- 62 Scott
- 11 Med. subject
- 12 Venus de
- 13 British carbine
- 14 Set for 35°, e.g.
- 23 Where the malice is
- 24 She played the Palace
- 25 Role played by 2 Down
- 26 Lag behind
- 27 Husband who played the Palace
- 28 Fierstein's "Song Trilogy"
- 29 Swerves
- 30 — board
- 31 Intrusive
- 32 Crack
- 33 Baseball plays
- 34 French port
- 40 Tormentors
- 42 Bit for Dobbins
- 43 Not pub.
- 45 Golfer Palmer
- 46 Rogers who played the Palace
- 47 Sioux Indian
- 48 Sheldon's "of Angels"
- 49 She played the Palace
- 50 Adams from Pa.
- 51 Sedate, in a way
- 52 Standout
- 55 Humor
- 56 Fled

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DENNIS THE MENACE



"IS IT ALL RIGHT TO INTERRUPT SOMEONE WHEN NOBODY'S LISTENIN'?"

JUMBLE

THAT SCRABBLING WORD GAME

by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

SHWIK

DARAW

SYPEDE

NEEGIN

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: HIS &

(Answers tomorrow)

Friday's Jumble: YACHT STOOP MATURE POLICY

Answer: From athletics one could achieve this—
"LITHE ACTS."

WEATHER

EUROPE

HIGH LOW

C 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

A 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

B 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

C 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

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F 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

SPORTS



Chris Evert Lloyd: 'Still hungry.'

Evert and Wilander Win Finals of Australian Open

Compiled by Our Staff From Dispatches

MELBOURNE — Chris Evert Lloyd captured her 16th career grand-slam title Saturday with a 6-7, 6-1, 6-3 victory over Helena Sukova of Czechoslovakia in the women's final of the Australian Open tennis championships.

On Sunday, Mats Wilander of Sweden had almost three hours to overcome the powerful serve of South African Kevin Curren to retain his men's crown. Wilander, the tournament's second seed, struggled back from a first-set loss to defeat the ninth-seeded Curren, 6-7 (5-7), 6-4, 7-6 (7-3), 6-2.

Evert took control of a one-hour, 59-minute match in the second set, playing superbly from the baseline while the aggressive, big-serving Sukova floundered.

Seeded second, Evert had received an unexpected boost when the ninth-seeded Sukova defeated defending champion Martina Navratilova in their semifinal match Thursday.

Evert, 29, had won a grand-slam title every year since 1974, but this year she had been runner-up to Navratilova in the big four's other three events — the French Open, Wimbledon and the U.S. Open.

"Helena probably did the dirty work for me by beating Martina," she said. "Facing her would have been very hard. I don't know how I would have done."

But Evert's record still seemed in some jeopardy at the beginning of Saturday's match. After dropping serve to open the encounter, Sukova broke right back and kept the pressure on until the tie breaker, which Sukova won, 7-4.

But Evert then switched on the power and surged home. The turning point came when she broke for a 3-1 lead in the second set, as the 19-year-old Sukova's serve began to falter. Sukova double faulted twice in the fourth game; 9 of her day's total of 13 double faults came in the final two sets.

"It has been a great week for me, but I am still disappointed I lost," said Sukova. "Christie just started to pass me so much better — she just hit so many passing shots down the line or just a couple of inches away from the line."

"It was a strange match," Evert said. "Maybe I was a little nervous because the pressure was on me. I felt I was struggling throughout the first set. But as soon as I got a break up in the second set," she said, "I felt more comfortable."

Evert is now 9-0 in her career against Sukova.

Evert said she was a bit disappointed that she had not won the title by defeating Navratilova. "I suppose it was a bit of an anticlimax, but I fought that feeling. I wanted to still be hungry."

Evert's victory, No. 1,003 of her

career, was her 16th major title. She has won six U.S. Opens, five French Opens, three Wimbledons and two Australian Opens. She won her previous Australian title in 1982.

Curren's big serve saw him through the first set, bringing him back from a love-4 deficit in the tie breaker, but Wilander took over by breaking for the first time in the third game of the second set to lead, 2-1. Wilander clinched the set in another tie breaker and then broke Curren twice more in the fourth set.

The two finalists had never met in tournament play before. Curren, bothered by a recurring ankle injury in his semifinal match against

Ben Testerman, had hoped that the tournament's grass courts would provide him the best stage for beating Wilander.

After the match, Wilander, primarily known as a clay-court specialist, said, "I feel pretty good — I've certainly changed my attitude to grass. I know I can play pretty well in it now."

The 21-year-old Swede, who captured his third grand-slam title, returned serve superbly — particularly in the decisive set. His low, dipping returns forced Curren into numerous errors.

Wilander said the only time he felt in danger was in the third set, when Curren served at 5-3. "I lost control a little, and when he served

for the set I thought I was in trouble," he said. "But after the tie breaker I thought I should win it."

Wilander, who defeated Ivan Lendl here last year to win the first major grass-court title of his career, played efficiently but unexpectedly. The first set was tight, with both players unable to convert break points into service breaks.

Wilander lives by the maxim, "It's better to end the match well than start it well," and he certainly ended stronger. He broke Curren in the third game of the second set and went on to take it 6-4, in 34 minutes.

There were six third-set breaks, but it still went to a tie breaker after Curren had served for the set at 5-3

and failed to capitalize. This time, Wilander made no mistake, taking it 7-4.

The Swede broke Curren in the fourth and eighth games of the fourth set to seal the victory.

Wilander and countryman Joakim Nystrom lost the men's doubles final Saturday to American Sherwood Stewart and Australian Mark Edmundson, 6-2, 6-2, 7-5.

In the women's doubles final, Martina Navratilova and Pam Shriver beat Helena Sukova of Czechoslovakia and Claudia Kohl-Kilsch of West Germany, 6-3, 6-4. It was the winners' 83rd consecutive doubles victory and their seventh straight grand-slam crown. (AP, UPI)

49ers Equal Victory Mark in 51-7 Rout of Vikings

The Associated Press

SAN FRANCISCO — Joe Montana's 44-yard scoring pass to Dwight Clark got the San Francisco 49ers rolling toward their 14th victory, which tied a National

NFL SATURDAY

Football League regular-season record, and he threw for two more touchdowns Saturday in a 51-7 rout of the Minnesota Vikings.

The 49ers (14-1) raced to a 31-7 lead by halftime and gave Montana and several other starters the rest of the day off while running up the team's highest point total since 1965. The Vikings (3-12) went down to a fifth consecutive defeat.

The 49ers, with an eight-game winning streak, will go after a record-breaking 15th regular-season

triumph when they face the Los Angeles Rams Friday night.

Montana completed 15 of 21 passes in his two periods of action Saturday. He opened the scoring by hitting Clark, who broke free down the middle of the field and into the goal line eight minutes into the game.

Later in the first period, Montana flipped a three-yard TD pass to Freddie Solomon. In the second quarter, Renaldo Nehemiah scored on a 59-yard pass play and Wendell Tyler ran 5 yards for a score.

Tyler's 36 yards rushing on 13 carries gave him a club-record 1,230 for the season, breaking the mark of 1,203 yards set by Delvin Hayes in 1976.

Reserves Derrick Harmon and Bill Ring ran for touchdowns in the last quarter.

Harmon, the rookie from Cornell, finished with 56 yards to lead all San Francisco rushers. Nehemiah, the world-record hurdler, caught six passes for 125 yards in his finest game since switching to football from track three years ago.

The Jets then held, forced a punt and staged their winning drive as O'Brien moved them 40 yards in five plays. Paige bursting up the middle for the TD. New York had scored on a 10-yard pass from O'Brien to tight end Mickey Shuler two plays earlier, but that was nullified by an illegal-formation penalty.

Ray Wersching kicked field goals of 41, 25 and 38 yards. His six extra points gave him a string of 104 without a miss.

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The last time the 49ers scored more than 51 points was in a season-opening, 52-24 victory over the Chicago Bears in 1965.

Jets 21, Bills 17

In East Rutherford, New Jersey, Ken O'Brien ignited New York with a 39-yard touchdown pass to Wesley Walker in the third period and the Jets got the winner on Tony Paige's 3-yard run in the fourth to end a six-game losing streak with a 21-17 victory Saturday over Buffalo.

The Jets improved their to 7-8 with one game remaining while the Bills dropped to 2-13, the worst record in the NFL.

Until the Jets got moving late in the game, they generally played lackluster football despite rookie safety Russell Carter's two sacks of Buffalo quarterback Joe Dufek and an interception.

The Jets, trailing 17-7 at the half,

cut the deficit to three points on O'Brien's toss to Walker with 39 seconds left in the third period. It was Walker's first scoring catch since Nov. 4 against Miami.

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Art: The Selling of Julian Schnabel

By Grace Glueck
New York Times Service

NEW YORK — It's a mere half-dozen years since the controversial phenomenon known as Julian Schnabel arrived on the New York scene, one of the most promoted — and promotable — artists of modern times. And so much has the art world changed in size and structure that at 33 he enjoys a star-dom undreamed of in the far-off days of Jackson Pollock, when "new" art was almost unsaleable.

The key American name in the much-touted international movement known as "neo-Expressionism," Schnabel's paintings are sold internationally to the increasing tribe of institutional and private collectors — themselves a phenomenon of the extraordinary art world expansion — who follow trends in contemporary art as closely as brokers watch the stock market. There are those who hold that Schnabel's rise has not only to do with being a talented painter, but with the showbiz stock-market mentality of today's art market, whose products share the volatility of, say, portobello futures.

The subjects like any "hot" property, of rumors and rivalries, Schnabel has been charged with many failings, from lack of talent to self-promotion to rank ingratitude toward those who have helped him. On the other hand, there are those who swear by his loyalty to friends, his generosity to other artists, and his openness to new ideas. "It's in the nature of Julian's personality that he's received in terms of extremes," says his former dealer, Mary Boone.

Recently, Schnabel's career took another large turn. Last May, he left Boone, widely credited with setting the stage for his early success, for the solemn up-town precincts of the Pace Gallery, which represents such heavyweights as Dubuffet, Louise Nevelson and the late Mark Rothko. Pace's proprietor, Arnold Glimcher, who sees Schnabel as "a great talent, an incredible life force, as charismatic as Pollock," mounted a big show this fall which quickly sold out, with a lavish catalog that reproduced each work in full color on a page. ("No one except

Degas gets catalogs like that," murmured Leo Castelli, who in 1981 joined Boone in handling the Schnabel oeuvre.) The paintings are certainly among the most impressive that this strong but prodigiously uneven artist has yet produced.

Schnabel, who sees his work as "driving people crazy; they don't know what to make of it," has unquestionably earned his place in the big, boozing art world of today. Appearing at just the right time — when a taste for more expansive, figurative art with symbolic or other "content" was replacing interest in the bland reductiveness of Minimalism — he broke through the cerebral restraints of a decade, painting on surfaces of velvet and broken dinner plates while zealously plumping myth, religion, history and the work of past masters for his subject matter.

What's more, he had real talent, by no means elegant or refined, but a raw, rhapsodic talent unconcerned with taste, like that of the 1930s writer Thomas Wolfe, whose large reach sometimes exceeded his grasp but who could never be accused of creating a feeling or idea.

True, Schnabel as a person, as full of rhetoric as his paintings, tends to be a self-appreciator; unlike the retiring heroes of Minimalism, he talks with an awesome self-confidence.

Mary Boone met him in 1977 — while setting up her gallery at a downtown restaurant where he was a cook, and began alerting key collectors and arranging shows. She sold two of his "plate" paintings — one for \$3,500 and the other for \$4,500 — around the time of his first New York show in February 1979. That show — of four works on canvas — sold out before it opened, at prices then in the modest range of \$2,500 to \$4,500. At the recent Pace show prices, according to Schnabel, ran from \$50,000 to \$65,000.

Critics and the rest of the art-going public, received Schnabel's work with the confusion that usually attends a change in aesthetic weather, a confusion compounded by the publicity that surrounded him and perhaps still obscures an objective appraisal of his gifts.

As his paintings began to sell, Schnabel's life expanded. In 1980, he married the Belgian-born Jacqueline Beaumir and is now the father of two daughters. He spends six months of the year at his country house in Bridgehampton, New York, and has enlarged his quarters on East 20th Street to a living-working space.

Schnabel says, "Painting is my way of mediating reality. It gives me problems, makes me nuts, and saves my life. I never look back at a painting."

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